THE INTERNATIONALISATION STRATEGIES OF SMALL AND MEDIUM-SIZED ENTERPRISES (SMEs) CLOTHING SUPPLIERS IN THE UK

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THE INTERNATIONALISATION STRATEGIES OF SMALL AND MEDIUM-SIZED ENTERPRISES (SMEs) CLOTHING SUPPLIERS IN THE UK

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Abstract

There is limited literature specifically discussing internationalisation strategies of UK Small and Medium-sized Enterprises (SMEs) clothing suppliers. The UK clothing supply sector is one dominated by SMEs contributing to the UK Economy. This is a significant gap in understanding, now addressed by this study. The main body of research has hitherto emphasised larger firm’s internationalisation patterns and behaviours. This research explores the complex nature of the sector; the barriers and facilitators in relation to SMEs suppliers of clothing to international markets. Four themes emerged from the literature review that inform and shape the research approach. These are the business environment, market entry strategies, supply chains and quality systems. Four research objectives developed for this study build on this conceptualisation as follows:

1. To identify strategies that enable UK SME clothing suppliers achieve their internationalisation goals.
2. To examine the international market entry strategies of UK SME clothing suppliers, with a specific focus on evaluating barriers and facilitators.
3. To evaluate the European Framework for Quality Management (EFQM) Business Excellence Model (BEM) framework as an analytical tool for SMEs in this sector.
4. To analyse the importance of supply chains in the context of the research study.

In order to address these research objectives a case study research design was appropriate. The purpose was to select organisations where it would be possible to gain insights into the complexities of internationalisation for SMEs in the sector.

This study adopts an interpretivist approach to guide research on three case organisations based in the North West of England. This approach comprised semi-structured interviews, the appraisal of documentation, informal direct observations and conversational interviews. The European Framework for Quality Management (EFQM) Business Excellence Model (BEM), used as an analytical tool, guided the research approach and facilitated the coding and analysis of the findings.

The findings of this research are that the EFQM BEM is a rigorous analytical framework and has value as an investigative instrument to highlight opportunities and strengths. As such, it highlighted that market uncertainties overshadow business strategies leading them to be reactive. Further, it showed that the owner-managers created distinctive workplace cultures and were able to make decisions quickly. These attributes meant that their businesses and their supply chains responded to market demands with agility, which led to faster response times and provided a competitive advantage. Their reactive ability made them unique and enabled them to survive fast-changing market conditions. However, quality strategies imposed by customers inhibited the business planning process.

The overarching outcome is that owner-managers are the main determinants in their business achieving internationalisation goal because they see international activities as central to survival and growth.
Acknowledgments

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Finally, I would like to give special thanks to my family Rhodri and Arlette, who have supported me throughout my studies. They have helped me through the highs and lows of the research journey in their own unique way.
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Abbreviations

BEM Business Excellence Model
EFQM European Framework for Quality Management
EU European Union
FOB Free On Board
GDP Gross Domestic Product
GPM Gross Profit Margin
IDU Independent Dress Up
MSE Micro-Sized Enterprise
MTO Made To Order
OPM Operating Profit Margin
QA Quality Assurance
RRP Recommended Retail Price
SME Small and Medium-sized Enterprise
TQM Total Quality Management
UK United Kingdom
USA United States of America
Chapter 1 – Introduction

This chapter communicates the background to the research, the reasons for investigating this area, the aim and the objectives. The research questions are established, the scope of the research is identified, and the structure of the thesis is presented.

1.1 Background to the Research

The broad problem area investigated relates to the supply strategies of UK clothing Small and Medium-sized Enterprises (SMEs) with internationalisation goals.

The clothing sector is lucrative with UK consumers spending £53.5 billion on clothing in 2015 (Mintel, 2015:2). However, the clothing industry is a complicated and diverse environment, comprising an array of businesses ranging from local suppliers to multi-million pound high-street chains and design houses (British Fashion Council, 2012). The sector is broken down into manufacturing/production, wholesale, and retailing, with the majority of these businesses classified as SMEs (Malem, 2008). There were 5.4 million businesses in the UK in 2014 of which 99% were small or medium-sized and 5.1 million were micro-sized (MSE) (Rhodes, 2015:3). It is no coincidence that the UK government recognises that SMEs play a crucial role in the growth of the economy (Department for Work and Pensions, 2014). However, they need support to survive although only 30% are making use of external advice (Lord Young, 2015:34).

Market saturation and poor economic growth often mean that the next logical step for SMEs is to internationalise, which, as Gereffi (1999) points out, involves the geographic spread of economic activities outside national boundaries. The House of Lords (2013:19) state that one in 20 UK SMEs exported outside the EU in 2010, and that by increasing export activities they could spearhead the export-led recovery of the country. To do so, businesses need to develop a strong understanding of the marketing environment of the countries they wish to enter.
(Harris and McDonald, 2004; de Mooji, 2005). This requires an environmental scan to determine whether products sold in new markets need to be adapted (de Mooji, 2005), which would trigger additional costs for SMEs. Operating in foreign markets necessitates strategy, yet, despite evidence that the efficiency of SMEs would improve with the implementation of quality management systems, time-poor entrepreneurs frequently overlook those (Cagliano et al., 2001).

1.2 Research Questions

The internationalisation debate is central to this study. To meet the aim of the study, however, themes relating to entrepreneurship, SMEs, clothing, supply-chain and quality strategies are implicit so that the research questions listed below can be fully answered:

1. Are strategies enablers in UK SMEs internationalisation goals?
2. Are market entry strategies critical to UK SME clothing suppliers’ internationalisation goals?
3. How beneficial is the European Framework for Quality Management (EFQM) Business Excellence Model (BEM) framework as an analytical tool for SMEs in the clothing sector?
4. How important is supply chain management in SMEs internationalisation?

1.3 Reason, Aim and Objectives of the Research

This section emphasises the motivation for this investigation, its intention, and fulfilment of its goals.

1.3.1 Reason for the Research

The research originated from a genuine interest in supporting UK SME clothing suppliers to develop an international supply strategy. There is a paucity of literature focusing on internationalisation, supply chain strategies, and SMEs quality strategies in the UK clothing context. This thesis contributes to this area by understanding their interrelationship in this specific context.
1.3.2 Aim of the Research

This research investigates the strategies implemented by UK SME clothing suppliers to determine their entry modes into international markets.

1.3.3 Objectives of the Research

**Objective 1**
To identify strategies that enable UK SME clothing suppliers achieve their internationalisation goals.

**Objective 2**
To examine the international market entry strategies of UK SME clothing suppliers, with a specific focus on evaluating barriers and facilitators.

**Objective 3**
To evaluate the EFQM Business Excellence Model (BEM) framework as an analytical tool for SMEs in this sector.

**Objective 4**
To analyse the importance of supply chains in the context of the research study.

1.4 Scope of the Research

The specific nature of the research necessitates the clarification of terms to avoid ambiguity and to establish its boundaries.

There are a number of research papers on SMEs and clothing retailer's internationalisation strategies (Birtwistle *et al.*, 2004; Dawson, 1994; Evans *et al.*, 2008; de Mooij and Hofstede, 2002; Doherty, 1999; Hutchinson *et al.*, 2006; McGoldrick, 1998; Moore *et al.*, 2000; Trompenaars and Woolliams, 2004; Waarts and van Everdingen, 2006). However, there is limited research specialising on clothing SMEs suppliers, particularly how they organise and
manage their international supply chains. This is a distinctive characteristic of this research investigation.

In the first instance, the term “clothing” must be justified as it underpins the research. Additionally, the vocabulary defining this diverse sector is a matter of debate. First of all, the Warwick Institute for Employment Research (2010:online) classifies the apparel sector as “manufacturers of knitwear; hosiery; apparel or clothing"...” plus the wholesale of clothing”. In addition, the British Fashion Council (2012) views the “UK Fashion Industry” as segments with different “impact” categories, with design and trend setting at its core. Jones (2006) debates the meaning of “clothing”, “apparel”, “fashion”, and “garment”, identifying that “fashion” represents a form of art whereas “clothing” is functional, and, concluding that “apparel” encompasses all of them. Adding to this, Jones and Hayes (2004) state that the clothing industry excludes textiles manufacturing but includes other functions such as product development and sourcing agencies, thus emphasising the suitability of the term “clothing” in this research. Furthermore, the term “supplier” denotes intermediaries who purchase clothing for resale (Hines, 2013). In this context, suppliers purchase clothing from factories and resale to retailers, agents, and/or distributors.

Secondly, the examination of the SME sector requires clarification of the definitions of micro, small and medium-sized enterprises. Burns (2011) highlights that there is no uniform definition of a small firm, which can cause practical problems. The number of employees provides a measure for the business size but occasionally it is also the turnover or annual balance sheet total that are included (Europa, no date). The most common characterisations, used in this context, indicates that a small enterprise employs fewer than 50 people, a medium-sized one employs fewer than 250 people, and that an MSE employs fewer than 10 people (Rhodes, 2015; House of Lords, 2013). This both clarifies and provides a justification for the sample of the UK clothing SMEs selected as case studies in this research. These firms are all small-sized enterprises employing fewer than 50 people. To be precise, the case studies are located in the North West of England, a cluster for fashion and textiles, with particular
emphasis on the trading and wholesale of clothing that employs around 54,000 people in total (Skillfast cited by Warwick Institute for Employment Research, 2010: online).

Finally, establishing a rigorous benchmark for the case studies’ international strategies necessitated investigation of quality frameworks through the Total Quality Management (TQM) literature. Definitions state that TQM requires the improvement in the quality of processes and products to improve competitive performance (Grant et al., 1994:26) and that it is “the theme for excellence for companies to survive and grow” (Ho and Fung, 1994:24). More precisely, Hill and Wilkinson’s (1995) analysis of various TQM frameworks summarises it as a universal approach for organisations based on customer orientation, process orientation, and continuous improvement. This exact definition provides a clearer framework to measure the case studies’ quality strategies. As such, a number of quality management systems required consideration. Therefore, an initial investigation into widely recognised systems such as ISO 9000/1, Investors in People (McAdam, 2000) and the EFQM BEM took place. ISO 9000/1 and Investors in People were discarded because they mainly measure internal processes such as leadership and management and place little emphasis on partnerships. However, the EFQM BEM was chosen because it focuses on business practice excellence (Kanji and Tambi, 2002) and overtly recognises partnerships and resources as central. It is holistic, non-prescriptive, and applicable in “bite-sized” chunks or for specific issues (EFQM, 2013; Flow Consulting, no date). As this research scrutinises three case studies who operated outside the UK and because the objective of the EFQM BEM is to boost commerce through quality strategies (Ghobadian and Woo, 1996), it seemed a befitting analytical tool. Indeed, the EFQM BEM provides a powerful diagnostic instrument to view strengths and identify improvement opportunities (Porter and Tanner, 1998), thus highlighting its potential as a framework for analysis in this investigation.
1.5 Research Methodology

This study comprises two main stages. The first is the review of the extant literature to scope the field of study, and to justify and determine the research aim and objectives. This stage develops knowledge of internationalisation, quality strategies, and supply chains in their broader context as well as specialist knowledge relating to clothing SMEs in the UK. The second stage is empirical and involves three in-depth case studies with the UK clothing SMEs in the North West of England to understand their international clothing supply strategies.

1.6 Structure of the Thesis

There are five chapters in this thesis. Chapter 2 contains a literature review that underpins the research. The main themes relate to SMEs and entrepreneurs, internationalisation, market entry, supply chains, and quality management. The knowledge gained in these areas informs issues relating to UK SME clothing suppliers. Chapter 3 contains the research methodology. It discloses the philosophical stance, the problems in the research design and the rationale for choosing the case study strategy. The data collection methods and the methods of analysis are justified. Chapter 4 is divided into two parts. The first presents and summarises the findings from the primary research, while the second draws cross-case comparisons, discusses the findings, and synthesises them with the main themes covered in the review of the literature. The final chapter integrates and synthesises the key points raised in the discussions, while reflecting on the thesis objectives and research questions to identify theoretical implications so that an agenda for future research is proposed.
Chapter 2 - Literature Review

2.1 Introduction

To investigate the internationalisation process of UK clothing SMEs, this chapter begins with an analysis of UK SMEs, including those in the clothing sector, to measure their contribution to economic growth. This is followed by an examination of entrepreneurs’ traits and leadership styles to establish whether their characteristics affect their organisation’s competencies in pursuing international goals. The review of internationalisation patterns of behaviour, motives, and theories is crucial because it underpins and contextualises the research. An integral part of this analysis is determining market entry decisions, suitable modes for entry and the significance of product positioning and branding within a culturally varied market place. This should facilitate the evaluation of barriers and facilitators for SMEs with international ambitions. The examination of supply chain management is necessary to understanding how SMEs manage their activities in-house and with external organisations. Finally, the review of the European Framework for Quality Management (EFQM) BEM framework is fundamental in determining its value as an analytical tool for SME clothing businesses.

2.2 SMEs in the UK

Despite the recent recession, the number of SMEs in the UK private sector is constantly increasing with approximately 5.2 million businesses estimated in 2014 (Rhodes, 2015:3; Department for Business Innovation and Skills (BIS), 2014:3); 99.3% of which were small (Department for BIS, 2014:3) (see Table 2.0).

Table 2.0 Estimated Number of Businesses in the UK Private Sector (2014)

<table>
<thead>
<tr>
<th></th>
<th>Businesses</th>
<th>Employment thousands</th>
<th>Turnover £ millions</th>
</tr>
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<tbody>
<tr>
<td>All businesses</td>
<td>5,243,135</td>
<td>25,229</td>
<td>3,521,254</td>
</tr>
<tr>
<td>SMEs (0-249 employees)</td>
<td>5,236,390</td>
<td>15,159</td>
<td>1,647,201</td>
</tr>
<tr>
<td>Small businesses (0-49 employees)</td>
<td>5,204,915</td>
<td>12,084</td>
<td>1,170,337</td>
</tr>
</tbody>
</table>

Source: adapted from the Department for BIS (2014:4)
In spite of encouraging statistics, it is important to note that over half of businesses do not survive more than five years (Anderson, 2014). In 2014, there were 351,000 business births and 246,000 deaths (Office for National Statistics, 2015:5), amounting to a staggering 70% of business failures. The Department for BIS (2013) attributed business death to internal factors such as business aptitude, capabilities of the owner-manager/employees, lack of innovation, organisation deficiencies and external factors such as obtaining finance, unsuccessful export activities and knowledge spill over. Reducing the death rate requires the implementation of support measures, which is a reality recognised by the government. Indeed, as small firms are responsible for 48% employment and 33% of private sector turnover (Lord Young, 2015:5) it is not surprising that the government provides resources for SME support. The government promotes better use of professional adviser networks and access to comprehensive online advice portals (House of Lords, 2013). In addition, recommendations are that the existence of government agencies such UK Trade and Investment (UKTI), UK Export Finance (UKEF), and how to access these should be better communicated to SMEs (House of Lords, 2013).

It is common knowledge that there are support networks such as the Chamber of Commerce and the Business Link available. Assistance is available on matters relating to raising finance, mentoring, coaching, online support for business start-up and guides on exporting as well as how to innovate; but only 30% engage because they do not see the value or they do not trust the advisors (Lord Young, 2015). As Hankinson (2000) points out, the challenge is to convince the owner-managers to take external advice.

A study on support provision for SMEs in the fashion sector in London, revealed that fashion business incubators and organisations providing targeted business support are most effective (Virani and Banks, 2014). This suggests that SMEs’ low engagement with support results from the generic rather than specialised help offered by these organisations. That said, it would be difficult for the government and organisations to tailor advice to the individual needs of thousands of unique businesses. Small business profiles are not homogenous;
they vary in size, age and sector, as well as growth and decline (Burns, 2011). Compounding the problem is that the services offered to SMEs are not always free of charge (Bennett et al., 2001); this may lead to poorer quality of advice (Mole, 2002) which could act as a deterrent to cash-poor start-up businesses.

### 2.2.1 Barriers to SMEs Growth

SMEs aiming for growth encounter barriers highlighted in Figure 2.0. The evidence gathered from a survey of 160 SME business owners revealed that there are ten barriers to growth, which aligns with some of the Department for BIS findings discussed earlier. These fall into three main categories, namely financial (rates, tax, bank lending, the cost of running a business, cash flow issues and utilities), operational (red tape and not enough government support) and competitive market place (too much competition) (Anderson, 2014).

![Figure 2.0 Barriers to SME Growth](source: Anderson (2014:online))

In essence, financial issues, particularly the tax system, too much red tape, the cost of running a business and lack of bank lending are the main barriers. The size of Anderson’s study was small, the data collection methods and the profile of the businesses scrutinised were unclear, resulting in potentially unreliable data. Burns (2011) adds that to cut costs, small firms tend to nurture close
relationships with few customers leading to overreliance, reduced product ranges and operations in limited markets. Further, he comments that uncertainty and risk result in irrational behaviour. Notwithstanding this, flexibility, responsiveness, opportunity creation, product development, qualities of entrepreneurship and risk-taking are common characteristics of SMEs (Lloyd-Reason and Mugan, 2002; Margi and Philip, 1998; Aloulou and Fayolle, 2005). Because of this flexibility, SMEs can take advantage of new opportunities swiftly (Burns, 2011). This, combined with a streamlined management structure, means that they can adapt to changing circumstances (Storey, 1994). Such qualities may facilitate SMEs’ internationalisation goals. Increasing market pressures mean that SMEs must move beyond continuous improvement and embrace innovation by channelling the creative ability of employees (McAdam et al., 2000; Harvey et al., 2010).

2.2.2 Success Factors in SMEs’ Internationalisation

Without a strong leadership commitment to internationalisation, SMEs will struggle to pursue cross-border activities (Lloyd-Reason and Mughan, 2002). Additionally, businesses must be aware of the difficulties of trading in remote markets and of the challenges that significant variations in consumers and business values can present, resulting in unforeseen additional costs (Varley, 2014). Therefore, SME clothing suppliers would need to evaluate the market/s they wish to enter and be aware of cultural differences. What is more, the willingness and ability of entrepreneurs are dependent on exposure to a range of factors including experience of foreign culture, language skills, international contacts and knowledge of foreign competitors (Lloyd-Reason et al., 2004). This means that it is crucial to find and nurture relations with trustworthy partners to operate successfully outside the UK (Balabanis et al., 2004) as these international contacts may be a key success factor for SMEs’ internationalisation.

SMEs exporting need to consider market entry modes due to difficulties in finding suitable partners who are committed to the business (Bennett, 1993). Indeed, finding and forging trusting relationships with suitable intermediaries can be a significant business advantage, particularly in an environment where price and quality are of the essence (Zhang et al., 2003). However, variations in market
environments influence the choice of such intermediaries and determine market entry strategies (Samiee and Walters, 2003; Bennett and Blythe 2002). Therefore, UK SME clothing suppliers need to find committed intermediaries who understand their home market and how the product ranges will fit within it; which will then determine the mode of entry into that market. UK clothing suppliers may initially export to culturally close markets because it creates the best opportunities and the least risk (Evans et al., 2008a; Sternquist, 1998) and may assume that, because of its close proximity, the single market has uniform market demands. However, culture is not homogeneous (Hofstede, 1997) therefore clothing suppliers must not assume that entering the single market will mean standardised consumers, cultures and tastes.

2.2.3 SME Clothing Businesses

As shown in Table 2.1, in 2009, employment in the UK clothing sector was approximately 804,000 or 2.7% of total UK employment, with the majority of jobs in retail (British Fashion Council, 2012:14). This was followed by manufacturing (74,000) and then wholesale (60,000), however when retail is excluded the figure decreases to approximately 144,000 jobs or 0.5% of total UK employment (British Fashion Council, 2012). This highlights that the clothing retail sector is a significant UK employer; however it is under threat due to increased online retail spending (ONS, 2015b:online) suggesting that the sector is undergoing a significant period of change. The clothing sector consists of a majority of SMEs often clustered in particular regions (Stengg, 2001; Bruce et al., 2004). SME clothing suppliers represent the majority of exporters in the sector (Key Note, 2001). Most of these SMEs employ less than 50 employees and MSEs who represent 60% of businesses in the sector, employ 0 to 10 employees with 20% acting as sole traders employing no staff at all (Malem et al., 2009). This demonstrates their importance to the UK economy.
Table 2.1 Employment by Product and Channel of Production/Distribution in 2009

<table>
<thead>
<tr>
<th>1000's jobs</th>
<th>Retail</th>
<th>Wholesale</th>
<th>Manufacturing</th>
<th>Textiles</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Footwear</td>
<td>99.2</td>
<td>6</td>
<td>3</td>
<td>0.2</td>
<td>108.4</td>
</tr>
<tr>
<td>Men's</td>
<td>130.5</td>
<td>10</td>
<td>12.7</td>
<td>2.7</td>
<td>155.9</td>
</tr>
<tr>
<td>Women's</td>
<td>204.6</td>
<td>16</td>
<td>20.1</td>
<td>4.3</td>
<td>245</td>
</tr>
<tr>
<td>Children's</td>
<td>62.8</td>
<td>3.5</td>
<td>6.4</td>
<td>1.4</td>
<td>96.2</td>
</tr>
<tr>
<td>Cosmetics/Beauty</td>
<td>31.1</td>
<td>9.8</td>
<td>8.8</td>
<td>0.1</td>
<td>50.6</td>
</tr>
<tr>
<td>Jewellery &amp; Watches</td>
<td>35.2</td>
<td>6.7</td>
<td>8.6</td>
<td>0.1</td>
<td>50.6</td>
</tr>
<tr>
<td>Accessories</td>
<td>21.1</td>
<td>1.6</td>
<td>1.6</td>
<td>0.3</td>
<td>24.5</td>
</tr>
<tr>
<td>Luggage &amp; Bags</td>
<td>10.9</td>
<td>1</td>
<td>2.5</td>
<td>0.1</td>
<td>14.5</td>
</tr>
<tr>
<td>Hair</td>
<td>17.6</td>
<td>0.9</td>
<td>7.6</td>
<td>0.03</td>
<td>26.13</td>
</tr>
<tr>
<td>Lingerie</td>
<td>28.2</td>
<td>2.2</td>
<td>2.6</td>
<td>0.3</td>
<td>33.3</td>
</tr>
<tr>
<td>Total</td>
<td>661.1</td>
<td>59.8</td>
<td>73.9</td>
<td>9.53</td>
<td>804.33</td>
</tr>
</tbody>
</table>

Source: Adapted from British Fashion Council (2012:21)

The economic downturn affected business sectors differently; some were fighting for survival whilst others were enjoying success and thriving (Piercy et al., 2010). Retailers who have more than six stores are closing a net 28 stores per day, a trend witnessed on the high street (Felsted, 2013) which will affect small clothing businesses supplying these retailers. Indeed, on average 12.5% of stores lie empty, however this figure has stabilised over the past 12 months (Local Data Company, 2016). Stores closing down coincides with the value of sales made online which accounts for 12.4% of all retail sales (ONS, 2015b:online). As discussed earlier, e-commerce is changing the retail landscape. Therefore, the strongest and most innovative SMEs will grow and the weakest ones will fail (Nash, 2011). Without a doubt, the online shopping trend affects bricks and mortar retailers and trickles down to their suppliers who will need to develop innovative practices to thrive.

2.2.4 Financial Measurements for SME Clothing Businesses

The financial situation of a business could affect internationalisation goals therefore, it is important to be familiar with the various tools that can measure ‘health’ and performance. One such tool, the Key Performance Indicators (KPIs) is explained by Parmenter (2015:5-7) who believes that financial ratios are ‘results indicators’ and non-financial measures are ‘performance indicators’. Further, he states that ‘key’ performance measures are indicators used to monitor and appraise the organisational performance of a business to determine its current and future success. Indeed, KPIs can measure the current or historical
performance of budgets as well as competitors performance. The data indicates where improvements may be required within a business and how other organisations achieve higher performance. In the context of this research, the KPIs scrutinised will be the financial ratios, particularly the Current and Quick Ratios. This is because they are a measure of liquidity that indicate how much excess “cash” the company has to cover its day-to-day operations. Furthermore, liquidity drives growth when facing difficulties obtaining alternative, long-term financing (OECD, 2015).

There are additional measures of profitability to assess the performance of a company. Two measures will briefly be examined in this research; the Gross Profit Margin (GPM) and the Operating Profit Margin (OPM). The GPM is a means of expressing the relationship between gross profit and sales as a percentage. The OPM takes account of the fact that businesses are trading operations and will therefore incur operating expenses (Gowthorpe, 2005).

2.2.5 SME Clothing Businesses in the North West of England

The clothing industry is widely distributed across England, but with key clusters. For example, clothing manufacture situated in Leicester, Nottingham, and London; knitwear in Leicestershire and Nottinghamshire, and wholesale of clothing in London, Manchester, and Leeds (Warwick Institute for Employment Research, 2010:online). The headquarters for the case studies selected in this research are based in the North West; more particularly in Manchester and Barnsley. The North West’s population was 7.1 million in 2011 (Office for National Statistics, 2011:online) with Manchester having 520,200 inhabitants (Manchester City Council, 2016:online). The region, considered the birthplace of the industrial revolution, expanded rapidly in the 18th and 19th centuries due to textile manufacturing (Christopoulos et al., 2014).

Traditionally, manufacturing dominated the North West’s economy. Over the past decades, however, technological advancements and globalisation trends have influenced the region’s trading (Christopoulos et al., 2014) hence it is now a wholesale cluster. Jones (2006) states that manufacturers moved operations to
distant geographical locations to reduce costs, affecting the local economy. Despite this trend, Greater Manchester still employs approximately 30,000 people in the clothing sector (see Table 2.2); 26% of which are wholesalers and many of whom are SMEs (The Alliance Project Team, 2015). Clothing manufacturing has not totally died down; in fact, Burberry is investing £50m in a new factory in Yorkshire that will employ 1000 people (Butler, 2016). Christopher Bailey, its chief executive and a Yorkshireman (Butler, 2016), is joining other brands in the growing reshoring trend (Key Note, 2015). These developments in UK manufacturing could present some lucrative opportunities for SMEs and highlight that the region is still significant in the clothing sector.

Table 2.2 Employment in the North West for Selected Benchmark (2013)

<table>
<thead>
<tr>
<th>Top 10 Local Enterprise Partnership (or NUTS3 City Region Area) Where Data Covers Scotland</th>
<th>Total: Textiles Manufacturing</th>
<th>Spinning, Weaving, Knitted Cloth</th>
<th>Dyeing and Finishing</th>
<th>Carpets, Rugs, Cords, Ropes</th>
<th>Other Technical &amp; Industrial Textiles</th>
<th>Home Furnishings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater Manchester</td>
<td>11,300</td>
<td>500</td>
<td>1,500</td>
<td>1,000</td>
<td>200</td>
<td>4,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Top 10 Local Enterprise Partnership (or NUTS3 City Region Area) Where Data Covers Scotland</th>
<th>Clothing: Leather &amp; Workwear</th>
<th>Clothing: Underwear &amp; Outerwear</th>
<th>Clothing: Apparel &amp; Footwear</th>
<th>Leather Accessories</th>
<th>Other Textiles Manufacturing N.E.C.</th>
<th>Wholesale Textiles and Clothing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater Manchester</td>
<td>400</td>
<td>2,400</td>
<td>1,300</td>
<td>1,000</td>
<td>300</td>
<td>7,800</td>
</tr>
</tbody>
</table>

Source: The Alliance Project Team (2015:23)

2.3 Entrepreneurship and Entrepreneurs

Examining UK SME clothing businesses in the North West of England necessitated an investigation of the individuals who create and run these businesses.

For the most part, individuals start and manage businesses for various reasons; for example unemployment or redundancy, wanting more independence, seeking personal achievement, financial gain and recognition (Burns, 2014). However, there are barriers preventing people from embarking on such endeavour, specifically the need for a regular income, fear of loss of or no capital, aversion to risk, and doubts about one’s own ability to succeed (Burns, 2014). This indicates that business start-up is circumstantial and may not be suited to everyone because it requires confidence, self-reliance and specific characteristics.
Stevenson and Jarillo (1990:23) define entrepreneurship as the pursuit of opportunities irrespective of the resources available and view entrepreneurs as individuals who “find a way”. Correspondingly, Burns (2011:38) points out that “entrepreneurs see opportunities when others see problems”, suggesting that entrepreneurs may thrive on the challenges change and uncertainty present. In contrast, Bolton and Thompson (2004) and Shane (2003) describe entrepreneurs as agents for change who bring people, money and resources together to create opportunities. Their views suggest that entrepreneurs adopt a calculated rather than impulsive approach. A number of criteria define entrepreneurs, namely circumstances, drive, opportunism and synergy. Further, Carland et al. (1984) describe entrepreneurship as entrepreneurial activities (without specific definition) and believe that entrepreneurs’ characteristics count and environmental conditions are relevant. Besides, entrepreneurs are builders of teams who nurture talent so that when other opportunities occur, they can relinquish some responsibilities to focus on new prospects (Legge and Hindle, 2004). This is because entrepreneurs are reactive and like to do things quickly so that they can look to the future, often without being in control of the present (Burns, 2011). Indeed, they have a set of connections that enables them to take advantage of opportunities quickly. Kay (1993:68) coined the term “organisational architecture” to describe a phenomenon within and around the organisation, which builds dynamic capabilities.

These findings highlight some additional entrepreneurs’ traits such as agile mindset, opportunistic, networker and an ability to employ the right people. Kay (1993) stresses that relationships in the organisation are subtle, complex and hard to explain or reproduce and that the participants enjoy collective achievements. Furthermore, he is of the view that it produces a structured degree of informality that can be mistaken as chaotic and haphazard (Kay, 1993). Suggesting that entrepreneurs are intuitive and possess an inherent sense of who should work in their business. Because of these abilities, they can build strong relationships with people such as suppliers; for example they can negotiate reduced lead times and
costs, because of the trust established which creates competitive advantages (Burns, 2011).

However, not all entrepreneurs are born managers and vice versa; entrepreneurs are innovative and risk-takers whereas managers must possess an in-depth knowledge of all aspects of the business (Blackburn et al., 2013). Further, small business owners and entrepreneurs are two different things; small business owners display managerial capabilities but entrepreneurship is a state of mind that cannot be helped like a compulsion (Beaver, 2002; Bolton and Thompson, 2004; Burns, 2011; Chell, 2008; Carland et al., 1984). This means that entrepreneurs are not necessarily managers while managers can be entrepreneurial. Entrepreneurs create change and opportunities rather than maintain what already exists while managers protect what exists (Wickham, 2004). Two entrepreneurs/managers with the same resources, threats and opportunities will not have the same level of success in improving business performance because their strategic thinking differs (Hines, 2013). Nevertheless, there are occasions when it would be unwise to expose resources or challenge what successfully exists, because part of the skill of the successful entrepreneur is to also get the timing right (Wickham, 2004). On top of that entrepreneurs are easily distracted, intolerant and impatient (Burns, 2014) which could affect the timing of decisions. This demonstrates that entrepreneurs are masters at finding the right people to realise their goals for the business and their strategic thinking differs, but they have little control of the environment in which they operate. Entrepreneurs display specific personality traits based on learned behaviour or on phenomenon related to unique experiences (Chell, 2008; Burns, 2014). This influences how they react to different circumstances (Wickham, 2004, Chell, 2008).

According to Bolton and Thompson (2004), entrepreneurs are categorised into three groups:

1) The enterprising person who starts and runs a small-to-micro business with limited growth due to market saturation.
2) The entrepreneur who creates a medium-sized business and could launch his operations on a global scale but is loath to lose control.

3) The growth entrepreneur who creates a high-growth business and is likely to diversify and internationalise.

Figure 2.1 The General Business Entrepreneur

Source: Bolton and Thompson (2004:84)

Figure 2.1 illustrates that an enterprising person is more common than a growth entrepreneur implying specific factors are required to go from an entrepreneur to a growth entrepreneur.

The main drivers for entrepreneurs are profit and growth, facilitated by their innovative behaviour and strategic management practices (Carland et al., 1984). This perspective challenges earlier discussions because it proposes that gaining profit and growth are the main drivers and assumes that entrepreneurs are innovative and strategic managers. The findings from the case study research will yield useful data to generate discussions on entrepreneurs' traits and characteristics.

The previous paragraphs established that the SME sector is diverse and characterised by individuals with different skill sets and practices. This broad scope means that leadership and management styles will vary. Managerial practices in SMEs affect leadership, management skills, performance and growth (Hayton, 2015). Indeed, SME’s performance and growth are reliant on the development of organisational competencies, continuous improvement and
market development (Hayton, 2015). Therefore, leadership commitment and vision in regards to the TQM work is of vital importance in the SME environment (Gunasakaran et al., 1996) but SMEs leaders have little spare time (Bennett, 1997; Hale and Cragg, 1996; Hamill, 1997) which could affect their commitment to change.

Managing change is challenging but not impossible; connecting possible solutions can only lead to improvements and open up possibilities (Brisson-Banks, 2010). What is more, acknowledging that there may be a need for change will depend on the business leadership style. Hoyle (2006:online) reviewed leadership styles and categorised them into four: Authoritarian with a top-down approach; Participative with an informal structure which encourages collective efforts; Transactional, some attempt to structure to get things done with additional employee’s rewards if they comply with the leader; and Transformational where employees are empowered and rewarded based on their performance. Likewise, leadership styles vary based on the level of the leader’s authority and the employee’s autonomy (Burns, 2011). For example, if the leader is empowered and the employees have little autonomy, an authoritative leadership style occurs (Burns, 2011). Therefore, leadership styles are attributable to the management strategy of the business. Though Hoyle’s research is in the educational rather than the business context, it will provide a useful guide to define the leadership styles of entrepreneurs in the case studies.

2.3.1 Strategic Management in SMEs

The examination of management practices will determine whether the SME case studies selected in this research implement strategies that facilitate international expansion. Mintzberg et al. (1998:359) find that “successful organisations are rich in culture” because beliefs that are deeply ingrained and permeate throughout the business. Furthermore, Stacey (1996) defines collective culture in the workplace as shared habits, ways of thinking, practices and beliefs. People influence culture within a business, therefore recruiting the right employees is critical to the planning of strategies (Mintzberg et al., 1998). Moreover, achieving strategic goals depend on the culture established by the people who experience
the system in which they operate (Hollyer and Bruce-Jones, no date). Consequently, it is the responsibility of the recruiter to ensure that the equilibrium is not upset when introducing new staff to the workplace. This is because people interact in all sorts of ways, for example in the manner in which they communicate or behave which is attributable to their values, what is personally important and life experiences (Mintzberg et al., 1998). In addition, there are factors that affect comportment such as rewards, systems, processes and the working environment (Hollyer and Bruce-Jones, no date). As suggested in the previous paragraph, entrepreneurs possess an inherent ability to employ the right people for their businesses. However, to develop a positive culture in the workplace they may reflect on the working environment.

The study of management characteristics and its impact on SME’s internationalisation is one of the most scrutinised and least conclusive areas of research (Leonidou et al., 2002). Management characteristics that may influence the internationalisation process are summarised by Ates et al. (2013:35) as follows:

- Short-term priorities: SMEs owner-managers multi-task on a daily basis, therefore strategic planning is often at the bottom the priority list particularly when operational issues occur and customers’ needs have to be met.
- Internal operational focus and lack of external orientation: managerial practices in SMEs emerge mostly in response to internal operational needs.
- Tacit knowledge: SMEs knowledge is gained through the experience and tacit learning of specific individual (Thorpe et al., 2005).
- Looking for flexibility: SMEs have less structured systems and processes when decision-making and managing the business; possibly due to their flexible nature.
- Poor managerial skills: SMEs management practices link to the individual’s skills and the characteristics of the entrepreneur who usually neglects the managerial issues (Fuller-Love, 2006). Entrepreneurs rarely
expand their business beyond the stage at which they can personally manage everything themselves (Gray, 2002). The lack of management skills obstructs business growth and it contributes to the business failure.

- **Entrepreneurial orientation**: entrepreneurial managerial style can encourage engagement, idea generation, opportunity seeking as well as organisational learning and process improvement (Filion, 1996). However, these entrepreneurs frequently do not perceive the need for formalised structures to manage performance.

- **Command and control culture**: many SMEs are owner-managed with entrepreneurs acting as dominant leaders who set the direction and run the business based on their experience and common sense, which generally results in a command and control management style (Ates and Bititci, 2011).

- **Limited resources**: SMEs have limited human, time, and financial resources (Hudson-Smith and Smith, 2007). Additionally, they do not have the means required to scan the environmental aspects of their business, carrying out market research and testing of products and services (Alon, 2004; Burke and Gaughran, 2006).

Undisputedly, businesses need to have a framework to operate efficiently. That framework mostly originates from its leader and managers who are responsible for the speed with which the business internationalises (Leonidou *et al.*, 1998). Indeed, management triggers and ensures the success of expansion of operations into other countries (Leonidou *et al.*, 1998). Additionally, a recent research paper on SMEs examined whether CEOs characteristics influenced foreign market entry modes choices; it revealed that the age of the CEO, duration spent in the firm, geographic experience and awareness of political risk appear to influence the market entry modes choices (Laufs *et al.*, 2016). Indeed those with longer tenure favoured less risky, less resource-intensive entry modes (Herrmann and Datta, 2002). However, newer ones are more receptive and tend to adopt innovative strategies (Finkelstein and Hambrick, 1996). Besides the CEOs profiles, SMEs’ structures are frequently informal and administratively disorganised because entrepreneurs’ decision-making is unsystematic or erratic.
compounded by their inability to delegate responsibilities to more experienced managers (Lloyd-Reason and Mughan, 2002).

That said, businesses can achieve competitive advantages in a volatile environment through adequate resources and competencies (Colovic, 2012; Mintzberg et al., 1998), but this requires strategic decisions. Indeed, strategic management decisions enable businesses to evaluate where they are, where they want to be, and how they will get there (Colovic, 2012:7), advocating the need for a strategy and goals. Quinn usefully clarified terms and indicates that strategy is a plan that integrates goals, policies and actions into a whole whereas goals define what needs completing within a specific timeframe (Mintzberg et al., 1998).

2.4 Internationalisation

There is a long history of discussions on the topics of internationalisation and globalisation. The term “globalisation” relates to a firm moving from the domestic market into the international market (De Wit and Meyer, 2004), that integrates and coordinates internationally dispersed activities (Gereffi, 1999). Hollensen (2007:6) believes that there is no one ‘size fits all’ strategy or model for globalisation, as there is no specific geographic centre; essentially businesses from every corner of the world are competing for the same thing that is “customers, resources, talent and intellectual property”. In contrast, internationalisation relates to a business expanding its activities, such as research and development or selling and production into foreign markets requiring a strong strategy to succeed (Hollensen, 2007). Firms may decide to internationalise their operations because of market saturation and poor economic growth (Gereffi, 1999). However, success is dependent upon the firm’s ability to prepare in advance (Hollensen, 2014).

There is an abundance of academic research papers on international retailing which grew considerably towards the late 1980’s, largely due to the earlier works of Hollander (1970), Johanson and Vahlne (1990), Kacker (1985), Salmon and
Tordjman (1989), Treadgold (1989), and Waldman (1978). It focused on the saturation of the local market and the soar in competition retailers faced, suggesting that their motives for internationalisation were reactive to their domestic environment. However, three main theories emerge in the literature; one where internationalisation is traditional/gradual, the other where it is rapid/radical and the last where it is late/radical.

Johanson and Vahlne researched internationalisation and believed that it was gradual. Their work, in collaboration with Forsgren, resulted in the “Uppsala Internationalisation of the Firm” model (see Figure 2.2) developed in 1975. Their ideas advocated that internationalisation is an incremental learning process in which businesses acquire knowledge about foreign markets in stages and increase their commitment in these markets as they gain experience (Johanson and Vahlne, 1977, 1990). The model is longitudinal and identified four different modes of operation, where the consecutive stages signify higher degrees of market commitment or international involvement (Hollensen, 2007). Olejnik and Swoboda (2012) point out that the model highlights that a lack of knowledge of foreign markets is a barrier in international operations and that commitment decisions are incremental because of uncertainty. The model is criticised in the literature, and by its creators, because it is deterministic and the relationship between knowledge development and increasing market commitment is not fully tested (Johanson and Vahlne, 1990). Additionally, it is not measurable and is limited in its explanatory viewpoint (Andersen, 1993; Forsgren, 2002). The Uppsala model is the result of a study of four Swedish firms and focuses on early stages of internationalisation, however, it tells little about experienced, larger firms (Melin, 1992). Moreover, the model presents a traditional internationalisation pattern of another era but omits firms who have international ambitions from the onset. Certainly, the model supposes that businesses lack knowledge of foreign markets and associates these markets with uncertainty, causing “traditional” businesses to start expanding into psychically and/or geographically close markets that are similar to the home market (Olejnik and Swoboda, 2012). A retailer such as H&M is a good example because it expanded
in the Nordic countries (Denmark, Sweden and Norway) before entering the UK, Germany, and Switzerland (Waarts and van Everdingen, 2006).

It can deduced that, though dated, the Uppsala model may still reflect the pattern adopted by some SMEs today. Therefore, businesses will either trade traditionally by operating in the domestic market for many years, then gradually progressing into international trade or radically as early dedicated adopters of internationalisation, who are known as ‘born global’ (Knight and Cavusgil, 2004; Olejnik and Swoboda, 2012).

**Figure 2.2 Uppsala Internationalisation of the Firm**

![Uppsala Internationalisation of the Firm](image)

Source: Hollensen (2007:64) adapted from Forsgren and Johanson (1975:16)

In contrast to businesses who internationalise traditionally/gradually, born global (rapid/radical) are characteristically young and entrepreneurial start-ups that typically export goods soon after their inception. They can do so because, unlike larger or well-established businesses, they have less bureaucracy and more flexibility, so they can succeed in diverse international markets (Knight and Cavusgil, 2004). Indeed, these businesses target small, niche markets and often operate concurrently in the domestic and foreign market/s undeterred by psychic distance (Bell *et al.*, 2003). However, to achieve born global status, businesses generally internationalise within three years of inception; they must nurture an innovative culture and possess knowledge and capabilities even though resources are typically scarce for young firms (Knight and Cavusgil, 2004). Historically these businesses first emerged in countries with small domestic markets due to their market conditions; however, they are now appearing
throughout the world (Cavusgil and Knight, 2015) indicating that national boundaries are less of a barrier. In short, a born global business philosophy is that the world is without boundaries; these businesses implement expansion strategies from the onset with exporting as a primary entry mode (Cavusgil and Knight, 2015).

Another concept, born-again global (late/radical), developed by Bell et al. (2003), proposes a third type of internationalisation pattern whereby a business well-established in the domestic market suddenly enters new markets due to a significant event such as change of ownership. As these businesses are already well established in the home market, they are able to internationalise because they have the resources to fund international expansion (Tuppura et al., 2008).

The literature suggests that there are three main patterns adopted by businesses when they internationalise. The first is the traditional/incremental business, where the management reluctantly decides to enter international markets to generate revenues because of difficult domestic market conditions (Bell et al., 2003; Cavusgil and Knight, 2015; Olejnik and Swoboda, 2012). They aim to increase the volume of sales, extend the product-life cycle or increase market share (Bell et al., 2003). Furthermore, they invest in specialised staff when the need arises and when they can afford it (Bell et al., 2003). The born global business has, from the onset, dedicated management and proactively enters new markets (Cavusgil and Knight, 2015; Olejnik and Swoboda, 2012). This type of business recruits key members of staff to attain goals and wants to enter the market first while targeting specific niches or segments (Bell et al., 2003). They further add that many traditional/incremental businesses become global businesses because they internationalise via the Internet. Finally, there is the born-again global business who is well established in the domestic market and internationalises due to a sudden change in circumstances such as new ownership thus providing international opportunities (Bell et al., 2003; Cavusgil and Knight, 2015; Olejnik and Swoboda, 2012). This business exploits the change in circumstances and uses networks and resources to its advantage (Bell et al., 2003).
The analysis of the three case studies will identify the type of business and the internationalisation behaviour they have adopted in relation to motivations, objectives, expansion patterns, pace, methods of distributions, international strategies and financing (as shown in Table 2.3). This summary, synthesised with the case study analysis, will provide a robust case for understanding the internationalisation behaviour of the UK clothing SMEs.
<table>
<thead>
<tr>
<th></th>
<th>Traditional</th>
<th>Born global firms</th>
<th>Born-again global firms</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Motivation</strong></td>
<td>Reactive, Adverse home market, Unsolicited/inquiries orders, “Reluctant” management, Cost of new production, Processes force export initiation.</td>
<td>Proactive, Global “niche” markets, “Committed” management, International from inception, Active search.</td>
<td>Reactive, Response to a “critical” incident (MBO, take-over, acquisition, etc.).</td>
</tr>
<tr>
<td><strong>Pace</strong></td>
<td>Gradual, Slow internationalisation (small number of markets), Single market at a time, Adaptation of existing offering.</td>
<td>Rapid, Speedy internationalisation (a large number of markets), Many markets at once, Global product development.</td>
<td>Late/rapid, No international focus then rapid internationalisation, Several markets at once, Adaptation/NDP.</td>
</tr>
<tr>
<td><strong>Method of distribution / entry modes</strong></td>
<td>Conventional, Use of agents / distributors or wholesalers, Direct to customers.</td>
<td>Flexible and networks, Use of agents or distributors, Also evidence of integration with client's channels, use of licensing, joint ventures, overseas production, etc.</td>
<td>Networks, Existing channel/s of new “parent”, partner/s or client/s.</td>
</tr>
</tbody>
</table>

Source: Bell et al. (2003:346-347)

The previous discussions are generic and provide clarity on the process of internationalisation. The discourse that follows is specific to the clothing sector and focuses on later research relating to internationalisation in the clothing sector.
The literature emphasises marketing strategies adopted by fashion brands and retailers (Lea-Greenwood, 1997; Moore and Burt, 2007; Moore et al., 2000) and highlights that, over the past 30 years, internationalisation for UK fashion businesses has become a crucial element for company growth (Moore et al., 2000). SME clothing suppliers are not overtly mentioned in these papers, however, useful knowledge can be gained from this as well as from the abundance of case studies on retailers such as Zara, Kookai, H&M, American Apparel and high-end luxury brand such as Caroline Herrera.

International retailing was revolutionised at the turn of the century due to an increase in consumer spending power, new means of communication, mergers, and globalisation (de Mooij and Hofstede, 2002). This means that UK SME clothing suppliers need to adjust their supply strategies and embrace innovation to maintain relationships with the retailers they supply. Hollensen (2007) argues that firms need to do their homework in order to internationalise their operations and cites the ‘glocalisation’ concept as an area of debate in globalisation as he believed that it occurs when products that would normally be intended for the global market are adapted to suit a local culture and behaviour. Hollensen (2007) and de Mooij (2005) identify “glocalisation” as central so that strategies and actions, for example the selling of products outside the home market, are influenced by the local culture of the targeted market. Due to limited resources and little spare time (Bennett, 1997; Burns, 2011, Cagliano et al., 2001; Hamill, 1997), SMEs may struggle to adapt their operations or products to suit the local culture of individual target markets. This suggests that a standardised approach may be more suitable to achieve economies of scale. Indeed, SMEs would be better equipped to internationalise their operations if they aligned their organisational capabilities with market penetration strategies (Welch and Luostarinen, 1988).

Figure 2.3 illustrates the various components of an internationalisation strategy, namely factors involving the business such as organisational structure, finance, and personnel as well as the nature of the foreign operations including the type of product sold, the intermediaries and the markets (Welch and Luostarinen,
1988). The model suggests that internationalisation relies on networks (markets, goods and subsidiaries) and organisational capabilities (structure, staff and finance). This will be a useful tool in framing this investigation. This perspective, combined with the behaviours of internationalisation detailed in Table 2.3, will be valuable in analysing the three case studies presented in this inquiry.

Figure 2.3 Dimensions of Internationalisation

According to Leonidou and Katsikeas (1996), even though there is ample research on the internationalisation of SMEs, no thorough framework exists. More recently, Jones and Coviello (2005) and Moen (2002) acknowledge that despite the availability of theoretical frameworks, internationalisation of SMEs is still a critical challenge. Rialp et al. (2005) highlight that early internationalisation and international entrepreneurship are undefined as research issues. Furthermore, they are of the view that there is too little research devoted to managerial decision-making and to the relationship between organisational behaviour and market entry in early internationalisation (Rialp et al., 2005:16). This research partially responds to their call for more research in this area by examining managerial decision-making and the relationship between organisational behaviour and market entry in internationalisation.
2.5 Market Entry Strategies

Whatever their internationalisation motivations, businesses need to consider their markets and their entry strategies. As seen in 2.3, significant incidents and reactive or proactive motives will dictate the way businesses internationalise. Therefore, methods of distribution and entry modes will vary. Bell et al. (2003:347) propose that traditional businesses either sell directly to customers or use agents and distributors. They state that born global businesses were similar but also networked or integrated with client’s channels, used licensing, joint ventures and overseas production. Further, they suggest that born-again global businesses used networks and existing channel/s of new “parent”, partner/s or client/s. Moreover, these businesses tend to follow domestic clients abroad, regardless of the psychic proximity (Bell, 1995).

It is clear that the circumstances leading to internationalisation vary, however, a number of internal and external factors are significant, particularly for the traditional and born global businesses. Academic literature debated factors influencing a business’s choice of entry mode and pointed to the significance of culture in the retail sector; particularly differences in business practices, national culture and consumers (Dawson, 1994; Doherty, 1999; Park and Sternquist, 2008). Previous research in this field is useful in determining the challenges that UK SME clothing suppliers face when trading with international retailers or entering new markets directly to supply local retailers.

2.5.1 Cultural Challenges

To manage cultural challenges in the most effective way, businesses should adjust entry modes based on international capabilities and consider cultural differences in the foreign market/s (Doherty, 1999). Indeed, as well as selecting the right partner, entry mode decisions are influenced by external factors (macro environment) such as the political situation, the economic stability and the competitors (Gripsrud and Benito, 2005), and internal factors (micro environment) for example finance and human capital (Picot-Coupey, 2006). Similarly, external factors such as cultural variances in consumer product demands, religious beliefs
and consumption preferences cannot be overlooked (Sternquist, 1998). Indeed, disparities between markets and cultures complicate international expansion (Hutchinson et al., 2006). Therefore, it seems logical to seek partners who have knowledge of local conditions and consumers, particularly when the cultural distance is high which would result in a lower control entry mode, such as a franchise agreement (Lu et al., 2011).

Culturally close markets are safer (Evans et al., 2008a; Sternquist, 1998) however, corporate arrogance could lead to the omission of crucial differences (Evans et al., 2008a). More firms enter culturally proximate markets rather than distant ones to reduce uncertainty but market research is still required for a successful outcome (Evans et al., 2008a). One of the gatekeepers of culture is language (Usunier, 2000) and because of this, communicating in the language of the country gives exporters an advantage in the negotiation process (Harris and McDonald, 2004). There is a close link between language and culture so they play a vital role in international marketing (Mueller, 1996; Usunier, 2000), as well as in organisational strategy (Mintzberg et al., 1998). Therefore, clothing suppliers trading overseas need to be mindful of the local culture and possess language skills to communicate with consumers effectively when entering new markets. Further, they may supply branded clothing so it is key that they understand that consumers throughout the world purchase brands to belong to global culture (Yakhlef and Maubourguet, 2004), and the brand ethos has to be translatable and relatable. However, not all brands are household names and may not benefit from “brand goodwill through consumer brand awareness and recognition” (Usunier, 2000:339), necessitating adapted marketing strategies. However, other brands, particularly in the luxury sector, are status symbols within specific cultures (Chadha and Husband, 2006) for example Louis Vuitton and Dior. A brand name or logo influences customers’ perceptions of the products and can create affiliations (Usunier, 2000), for example Chanel and Apple whose logos are globally recognised. Therefore, UK clothing suppliers should be making strategic decisions when distributing brand names particularly if they develop brand/s in-house.

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That said, cultural challenges have been minimised by the growth of e-commerce. Indeed, online retailing enhances export performance, however, the use of the Internet as an alternative to a physical market presence does not lead to higher export performance (Sinkovics et al., 2013). Nevertheless, it can improve sales performance but it is essential to focus on building relationships instead of relying on the Internet as a substitute for a physical market presence (Sinkovics et al., 2013; Hamill, 1997). Therefore, SME clothing suppliers would benefit from a mitigated approach when they enter new markets and should evaluate online versus physical distribution methods.

2.5.2 Standardisation versus Adaptation

Earlier discussions on adapted marketing strategies are significant for retailers but in the case of UK SME clothing suppliers, they may not be crucial. However, if these retailers are clients, requests for product and/or packaging adjustments may occur, resulting in the need for additional resources.

As the global market place is increasingly homogenised, adapting products to suit market demand should be minimised. To remain competitive, both nationally and internationally, businesses should drive prices down by standardising products whenever possible (Levitt, 1983). This is facilitated by consumers’ requirements, wants and needs, which are similar across nations and markets (Levitt, 1983). Irrespective of geographical locations, the world is becoming homogeneous in terms of customer requirements and environmental factors (Vrontis et al., 2009). Nonetheless, businesses need to decide the extent of standardisation or adaptation (Evans et al., 2008). For UK clothing suppliers, decisions on this issue are out of their control as they may trickle from the retailers, however, whatever the case, it will have cost implications. Levitt (1983) applauded companies who moved from modifying products to providing standardised products that were functional, reliable, advanced and low-priced. Supporters of standardisation advocate that in addition to the convergence of technology and globalisation, there is also diffusion of media activity, culture, art, living conditions and that, even when consumers differ, their basic psychological and physiological needs are still the same (Kanso and Kitchen, 2004). This is disputed by Shaoming and
Cavusgil (2002) and White and Absher (2007) who believe that world markets are becoming uniform as a result of changes in communication technologies and transportation (Shaoming and Cavusgil, 2002) and propose that consumers worldwide have similar tastes and preferences and so demand similar products (White and Absher, 2007). Overall, a standardised strategy is fuelled by similarities in market conditions such as consumer demand and the competitive environment (Zou and Cavusgil, 2002; Ozsomer and Simonin, 2004).

The benefits associated with standardisation relate to cost reductions, better resource utilisation, better control and organisation of international operations (Keegan and Green, 2008). However, the advantages of economies of scale in standardisation cannot compensate for the benefits gained by adapting to local market conditions (Douglas and Wind, 1987; Fastoso and Whitelock, 2007). Standardisation requires caution because consumers perceive products and brands differently (Schlie and Yip, 2000; Wigley et al., 2005; Treadgold, 1989). Additionally, internal and external success factors necessitate consideration; for example, they require adequate support in the new market/s, substantial knowledge of foreign market/s and the desire to appeal to foreign consumers (Treadgold, 1989).

A different perspective from standardisation is adaption, which is fuelled by differences in consumers’ tastes and habits, governments’ regulations, competition, technical requirements and nationalistic sentiments (Evans and Bridson, 2005). Converging technology and a decline in income differences do not result in similar consumer behaviour in different countries and markets because culture drives consumer behaviour (de Mooij, 2003; de Mooij and Hofestede, 2002). Perceptions, attitudes, cultural stereotypes, emotions are influential factors (Ranchhod et al., 2011). This suggests that, in addition to finding suitable partners to enter new markets, UK SME clothing suppliers need to understand, and be willing to accommodate, varied demands whilst minimising adaptation to reduce costs. The challenge is that markets diversity does not permit standardisation but the costs associated with adaptation (Vrontris, 2005; Vrontris et al., 2009) may act as a barrier to internationalisation for SME clothing
suppliers. Indeed, costs incurred through an adapted approach combined with the desire to gain the benefits of standardisation do not provide scope for total adaption (Vrontris and Vrontri, 2004). Therefore, the balance between global standardisation and local adaption is the key to success (Kotler, 1986; Porter, 1990; Vrontris et al., 2009; Whitelock and Pimblett, 1997; Yip, 1992). For instance, certain elements of the marketing strategy such as price and promotion can be adapted to suit local market conditions, whilst other elements such as distribution and product are commonly standardised (Cavusgil and Zou, 1994). Thus the decision to standardise or adapt is not purely about identifying what one can adapt or standardise but merely what one is (legally) required to do (Evans et al., 2008a). Therefore, SME clothing suppliers would need to evaluate adaptation requirements in their strategy for international expansion.

2.5.3 Market Selection

An initial market entry in the internationalisation process is the expansion to neighbouring countries with close cultural proximity (Moore et al., 2000; Waarts and van Everdingen, 2006; Wigley et al., 2005; White and Absher, 2007). For UK SME clothing suppliers, Europeans countries may offer great potential for growth. With over 500 million inhabitants (Eurostat, 2013), the EU market represents an attractive “catchment area”. In addition, exporting to Europe is the ideal internationalisation strategy because the single market enables firms to create alliances on the continent before entering further markets (Haydon, 2012). Indeed, the “EU can often act as a stepping stone for smaller firms, allowing them to extend the scale of their business in a secure and open environment before attempting to enter more difficult markets” (Haydon, 2012:online). This confirms that SME clothing suppliers, particularly the traditional firms, may be able to reduce risk by venturing in the close proximity of the single market. With 28 member states in the single market (Europa, no date), a degree of homogeneity may be expected and inter-member trading eased. However, physical proximity still necessitates considerations to religion, education, history, tradition, attitude, and values as they permeate the business environment (Alexander and Meyers, 2000). This may act as a deterrent to SME clothing suppliers who may not have the capabilities or resources to cope with various requirements. However, as born
global businesses view the global market entirely differently to the traditional firms, they may be less likely to view market entry in this manner.

Despite advantages, the single market may not currently be as attractive due to Brexit from the EU. Furthermore, the European crisis is hindering the recovery of the global economy (Corben, 2012). The national press abounds with debates over the effect of Brexit on the UK economy. The nation was warned by the impartial, independent UK charity Full Fact (2016:online) that “the top 100 EU regulations cost the UK economy £33.3 billion per year”. Additionally, it suggested, “as members of the EU, we have access to a market of 500 million people which means exporters only need to abide by one set of rules rather than 28 national ones” (Full Fact, 2016:online). The opposing statements highlight some of the issues that UK businesses are now facing. These uncertain times may prompt UK SME clothing suppliers to adopt a different internationalisation strategy and to enter markets further afield.

The buoyant luxury market profited from global expansion strategies and early entrants benefit from making connections with consumers but corruption, bureaucracy, and infrastructure can be a barrier to success (AT Kearney, 2015a). On top of that, global markets are changing; the middle class population is growing due to higher GDP (AT Kearney, 2015a), life expectancy is increasing and infrastructure is improving (Passport, 2016). Because the global economy is steadying (AT Kearney, 2015b), the selection of market may become easier. This is because advanced emerging economies (Brazil, Mexico, Poland and South Africa) and secondary emerging economies (Argentina, China, India, Indonesia, Russia and Turkey) (Passport, 2016) offer abundant trading potentials for SME clothing suppliers. Advanced emerging economies are expected to grow by 2% and secondary emerging economies by 4% (AT Kearney, 2015b:online). This indicates the need to forge alliances with trustworthy foreign partners (Balabanis et al., 2004) that can facilitate market entry, negotiations and consumers’ brand perceptions.
To set objectives and develop strategies (Hines, 2013) necessitates an environmental audit. With support, UK SME clothing suppliers could access KPIs to carry out environmental scans to evaluate the market conditions of the countries they wish to enter. This would give them an overview of external factors such as the Political, Economic, Social, Technological, Environmental, and Legal (PESTEL). This information is available from specialised organisations such as AT Kearney and Euromonitor who provide data on market attractiveness, ease of doing business, corruption, GDP, technological advancements and so forth. This knowledge, combined with a SWOT analysis, will help businesses assess the positive/negative and internal (SW)/external factors (OT) in achieving their internationalisation goals.

From the discussions in this section, it can inferred that small businesses need to strategically orchestrate their market entry strategy and concentrate on the markets, the products, the positioning, and the competitors (Mintzberg et al., 1998) facilitated by forging alliances with the right partners. Additionally, prior to entering unknown markets, small businesses must understand the marketing environments of the countries in which they wish to operate (de Mooji, 2005; Harris and McDonald, 2004) and evaluate market conditions. Certainly, exporting as a market entry method is popular as it involves low financial risk (Leonidou et al., 2002) but there are different entry strategies that involve varied cost factors (Darling, 2004; O’Farrell et al., 1998; Yip et al., 2000). Therefore, exporting is a balance between risk and control (Arnold, 2003). The following section examines the entry modes available to SMEs and evaluates their advantages and disadvantages.

2.5.4 Market Entry Modes

There are two ways of entering foreign markets; directly or indirectly (Albaum et al., 1998) which include licensing, franchising, joint ventures, wholly owned subsidiaries (Lu et al., 2011). Therefore, UK SME clothing suppliers face a raft of choices when selecting the most suited market entry mode to achieve their internationalisation goals. One of the indirect market entry choices is internal expansion, which consists of the replication of domestic operations abroad
(Alexander and Meyers, 2000). However, this is a high cost, high control method, as sales are initially relatively low in comparison with overhead costs (Treadgold, 1989). Another possibility is merger and acquisitions where a business acquires an already established retailer in a foreign market. This option offers fast market penetration, immediate cash flow and the opportunity for organic growth through the gaining of a pre-established structure (Alexander and Meyers, 2000). This is a key way to enter an already mature market and possibly gain ownership of a market leader, however, there are huge cost implications, as there is often a need to standardise and update systems (Dawson, 1994). Both solutions may be suitable for retailers but not for SME clothing suppliers.

An alternative market entry choice is a franchise agreement, which falls into the category of strategic alliances, and requires no partnership with a local organisation (Alexander and Meyers, 2000). According to Doherty (1999), a franchise agreement is a legal agreement between two parties (the franchisor and the franchisee) whereby the franchisee sells goods owned by the franchisor. Much of the literature on franchising relates to the service industry, however, as a market entry method, franchising is proving to be a common choice because it is low cost but the disadvantage is low control (Treadgold, 1989). It is the most efficient way to expand in a short time period (Doherty, 1999) while acquiring local market knowledge and building a strong corporate identity (Alexander and Meyers, 2000). Additional problems with franchising are often associated with the amount of legal agreements (Alexander and Meyers, 2000) and can result in a lack of control as once contracts are drawn there are not easily terminated. Dawson (1994) highlights problems franchisors face in terms of recruitment, especially in relation to local managers within the foreign market. Franchise agreements may be suitable for SME clothing suppliers distributing an in-house brand. Businesses may also consider joint ventures which fall into the category of “strategic alliance” and involves the co-operation and forming of a partnership based on mutual needs (Robinson et al., 1998), meaning one or more partners join to create a new identity with a specific purpose (Sternquist, 1998). International joint ventures are associated with various benefits such as access to local knowledge (Robinson et al., 1998), reduction of risk (Wrigley, 2000),
increased the speed of market entry (Dawson, 1994) and greater ease of
government approval (Wang, 2003). The main problem associated with this
method is similar to franchising and relates to the relationship between the
partners involved (Alexander and Meyers, 2000). Some market entry choices
necessitate large resources while others are more equitable so that partners
share the commitment of resources (Laufs and Schwens, 2014). Franchise
agreements and joint ventures are viable for SME clothing suppliers as is the
opportunity to be wholly owned by a parent company, meaning that the business
becomes a subsidiary of this parent company (López-Duarte and Vidal-Suárez,
2013). As a result, the parent company holds all of the subsidiary's common stock
and has the right to appoint the subsidiary's board of directors (López-Duarte and
Vidal-Suárez, 2013). This is advantageous in a number of ways, for example, in
some countries licensing regulations make the formation of new companies
difficult or impossible (Hill and Jones, 2007). Furthermore, if a parent company
acquires a subsidiary, it can begin conducting business sooner, coordinate a
global corporate strategy, and promote its products, thus realising location and
scale economies (Hill and Jones, 2007).

SMEs are less inclined to select high-commitment entry modes (Zacharakis,
1997). However, past research shows that some SMEs with international
experience select higher commitment entry modes such as mergers/acquisitions
(Brouthers and Nakos, 2004; Maekelburger et al., 2012). According to Laufs and
Schwens (2014) there is limited knowledge of the critical decisions SMEs make
to enter foreign markets because research focuses mainly on larger, more
accessible, firms. This concurs with earlier suggestions that the
internationalisation of SMEs is a critical challenge despite available frameworks
(Jones and Coviello, 2005; Moen, 2002), and that too little research is devoted to
the relationship between organisational behaviour and market entry in early
internationalisation (Rialp et al., 2005). This investigation builds upon and adds
to existing knowledge as it determines how three SME clothing suppliers achieve
their international goals.
Thus far, no clear scenario for SMEs entering markets has emerged partly due to the scarcity of research conducted in this field. SMEs’ limited resources affects their ability for more advanced internationalisation strategies (Johanson and Vahlne, 1977). Indeed, market entry strategies require resources; SMEs are not in a position to recruit knowledgeable employees and often struggle to send them overseas for extended periods of time (Calof, 1994). Consequently, entry into foreign markets remains a challenge for smaller firms (Lu and Beamish, 2001). Furthermore, SMEs’ high sensitivity to external challenges means that they find it difficult to deal with risk in foreign markets (Laufs and Schwens, 2014). This is because SMEs have unique ownership structures with many family-owned, so their approaches to internationalisation links to the owner’s personal objectives (Kotey, 2005) which may affect decisions.

Previous discussions indicated that SMEs owners are networkers and can build strong relationships with people (Bell et al., 2003; Burns, 2011; Kay, 1993). These advantageous characteristics mean that they can gain substantial capital by using their social networks to enter markets. These social networks mean that organisations acquire and utilise resources from their business networks (Chetty and Agndal, 2007) for example their customers and suppliers (Laufs and Schwens, 2014). These networks are important to SMEs (Laufs and Schwens, 2014), therefore SME clothing suppliers may form strategic alliances with intermediaries such as distributors or agents. However, developments in trading have strained relationships between exporters and importers (Obadia, 2010). Economic pressures to eliminate intermediaries’ margins and to shorten lead-times lead to this (Rosenbloom, 2013). For example, manufacturers bypass distributors and sell directly to retailers or end-users (Rosenbloom, 2013).

The discussions in this paragraph highlight a number of market entry modes available to SME clothing suppliers. There are less risky market entry choices that result in a more efficient supply chain (Hines, 2013) such as wholly owned subsidiary and strategic alliances. The former would happen if a business were of particular interest to a larger company linked to specific competencies or products/brands.
2.6 The Supply Chain in Clothing

The supply chain involves many parties therefore, to survive and remain leaders in their field, businesses need to strive to be the best and constantly innovate (McAdam et al., 2000; Harvey et al., 2010). As supply chain networks become more complicated, the risk for disruption becomes greater due to volatilities in the trading environment, globalisation, and offshore sourcing (Centre for Logistics and Supply Chain Management, 2003). These challenges drive most firms to operate in a lean manner by reducing or eliminating waste whether that be time, resources or organisational (Christopher and Towill, 2000; Hines 2013). According to Hines (2013), sustainability also has to be taken into consideration so that damage to the natural environment is minimised.

SMEs particularly are vulnerable in this complex environment as they often operate autonomously and tend to react to the market rather than use scarce resources to organise their strategy (Forsman, 2008). What is more, retailers require high product variety (Christopher and Towill, 2000) to fulfil consumers’ demands leading to short product lifecycles thus requiring agility to reduce lead times and achieve quick response (Bruce et al., 2004). Interestingly though, as seen in the case of Burberry earlier, many large retailers such as River Island and ASOS are reshoring to improve their supply chains. This is because of the hidden costs involved in overseas procurement (Hines, 2013), such as erosion of margins, through delays in supply, exchange rate fluctuations, and market demands (Christopoulos et al., 2014). These market fluctuations, as well as the retailer’s need for product variety, necessitate agility in business operations. Agility is characterised by the aptitude to respond rapidly to unpredictable changes in demand (Centre for Logistics and Supply Chain Management, 2003) and by flexibility through the logistic processes, management of information and “the organisation structure and mind-sets” (Christopher and Towill, 2000:206). Therefore, to be truly agile a supply chain must possess specific characteristics facilitated through linked processes and systems (Christopher, 2000). Figure 2.4 demonstrates the characteristics of an agile supply chain, which are, according to Christopher (2000), as follows:
- Market sensitive and so must anticipate and respond to market demands.
- Virtual and relies on information exchange rather than inventory.
- Integrates processes whereby collaboration takes place between parties.
- Network-based because no one operates as a standalone entity but favours a partnering approach.

**Figure 2.4 The Agile Supply Chain**

Consequently, besides lean and agile sourcing strategies that provide a competitive advantage (Hallgren and Olhager, 2009), SMEs must strategically manage their supply operations, focus on internal processes, and on external factors such as their relationships with suppliers (Rich and Hines, 1997). These relationships are key in achieving responsive capabilities driven by the velocity of markets (Hines, 2013). Adding to that, Bruce *et al.* (1999) present some interesting perspectives in their research for the Design Council. They propose that small businesses in the clothing sector gain competitive advantages if they use design expertise (Bruce *et al.*, 1999). Further, they proffer that in the business context, it is possible to achieve ‘desired deliverables’ through design expertise; for example, the design of corporate identity and packaging can create awareness of a new product (Bruce *et al.*, 1999). For an illustration, see the examples in Table 2.4. Therefore, SME clothing suppliers could gain a competitive advantage and extend their products longevity through innovative designs, packaging, and branding.
Table 2.4 Business and Design Requirements

<table>
<thead>
<tr>
<th>Marketing Needs:</th>
<th>Design Change:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Updating a product/service</td>
<td>Change the product design</td>
</tr>
<tr>
<td>Changing a corporate image</td>
<td>Change the corporate identity</td>
</tr>
<tr>
<td>Extending a brand</td>
<td>Change the pack design</td>
</tr>
<tr>
<td>Increasing market share</td>
<td>Innovative concept</td>
</tr>
<tr>
<td>Differentiating a saturating market</td>
<td>Create a product with a different style</td>
</tr>
<tr>
<td>Revitalising sales of a specific product/service</td>
<td>Change packaging/logo</td>
</tr>
<tr>
<td>Introducing a new product will be accepted</td>
<td>Design a product/service that satisfies a customer need</td>
</tr>
</tbody>
</table>

Source: Bruce et al. (1999:14)

It is essential that organisations develop strategies that are responsive to customer requirements by managing their supply chains to deliver customer satisfaction (Hines, 2013:4) (see Table 2.5). Undoubtedly, SME Clothing Suppliers in the UK need to be reactive and agile to satisfy retailer’s demands for price cuts so that they can increase their margins (Bruce et al., 2004; Jones, 2006). However, it is important to remember that the £53.5 billion UK consumers spent on clothing (Mintel, 2015:2) is down to retailer’s efforts to meet their demands but also to the suppliers’ endeavours. SME clothing supplier’s accomplishments would not be possible without networks and strategic alliances.
Table 2.5 How to Develop Responsive Supply Chain Strategies

<table>
<thead>
<tr>
<th>From: Business Challenges - 7Vs that customers want</th>
<th>To: Supply Chain Strategies - 7Ss that deliver customer focused organisational strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value - offer customers value for money based on their preferences (value not simply in exchange but through time and use).</td>
<td>Sustainability - ensure all natural systems are not damaged by human actions. Must identify order qualifiers and order winners and compete for managing complexity.</td>
</tr>
<tr>
<td>Volume volatility - customers want to postpone their own supplies until they have a &quot;best forecast&quot; of demand or accurate demand based on actual sales data. This means adjusting order quantities on a regular basis.</td>
<td>Service - deliver different quantities of goods through managing capacity not simply operationally but strategically. Develop capabilities to manage capacity flexibility to deliver products and services to customers when they are required in the quantities demanded.</td>
</tr>
<tr>
<td>Velocity – the speed of change and speed of response (demand conditions, market structures, production technology, supplier capabilities).</td>
<td>Speedy response - develop responsive capabilities to deliver goods and services when they are required (quick response).</td>
</tr>
<tr>
<td>Variety - ability to customise the product/service offer (move from economies of scale to economies of scope or to &quot;economies of value to customers&quot;).</td>
<td>Suited to customer requirements - developing flexibility capabilities (agile, lean supply chains, innovations and new product developments).</td>
</tr>
<tr>
<td>Variability – the ability to reduce variability and offer standard quality.</td>
<td>Standards - develop supply chain strategies to assure customer quality standards are met effectively and co-operate within supply chains to compete across supply chains.</td>
</tr>
<tr>
<td>Visibility - enabling all parts of a supply chain to be transparent and avoid blockages, &quot;iceberg&quot; inventories and hidden costs; keeping the customer informed.</td>
<td>Systems focused on customer satisfaction - re-design business processes and develop enabling strategies for all relevant parties including customers to view supply chain information relevant to them (collaborative rather than competitive strategies).</td>
</tr>
<tr>
<td>Virtuality - an ability to coordinate intangible and tangible assets within the supply chain facilitated by information communication technologies gives customers confidence and ensures dependability.</td>
<td>Structures and relationships - for example develop digital supply chain strategies to replace unnecessary inventory movements by moving and exchanging information instead of goods.</td>
</tr>
</tbody>
</table>

Source: adapted by the researcher from Hines (2013: 4)

Thus far, it has been established that forging alliances to enter new markets and that a robust management of the supply chains are key for SME clothing supplier's success in realising international goals. However, recent literature questions whether SMEs are equipped to manage the supply chains and whether partners add value to operations (Arend and Wisner, 2006; Rezaei et al., 2015; Vaaland and Heide, 2007). Arend and Wisner (2006) raise pertinent questions relating to the interrelationship of supply chain management and SMEs’ performance. Their research focuses on 200 SMEs and concludes that supply chain management negatively affects SMEs performance. However, it is
important to note that owners’ background is not included in their research, which could influence the outcome. Nevertheless, their main questions: “how well supply chain management fits with SMEs?” and “is the firm size relevant to the form of business implied by supply chain partnering optimal?” (Arend and Wisner, 2006:403-404) will be addressed in the analysis of the three case studies scrutinised in this inquiry. These problems will be evaluated using the EFQM BEM as a practical framework so that the interrelationship between its various elements will determine the importance of supply chains in the clothing sector.

2.7 Quality Management Systems

The concept of quality is not a new. Since the 1940's it has evolved from product inspection to meeting customer demands. This is achieved through customer focus, continuous improvement, employee empowerment, and use of quality so that total quality management (TQM) is an integrated organisational effort designed to improve quality at every level (Reid and Sanders, 2007). The evolution of the concept of quality is shown in Table 2.6.

Table 2.6 Concepts of Quality

<table>
<thead>
<tr>
<th>Time:</th>
<th>Early 1900s</th>
<th>1940s</th>
<th>1960s</th>
<th>1980s and beyond</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus:</td>
<td>Inspection</td>
<td>Statistical sampling</td>
<td>Organisational quality focus</td>
<td>Customer driven quality</td>
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<tr>
<td></td>
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</tbody>
</table>

Old Concept of Quality: Inspect for quality after production

New Concept of Quality: Build quality into the process. Identify and correct causes of quality problems.

Source: adapted by the researcher from Reid and Sanders (2007:143)

This evolution in quality concepts resulted in awards and recognition from organisations and in organisational models enabling businesses to achieve goals.
through the formulation of strategies. Businesses run more efficiently and profitably with quality management systems in place as they provide a way to organise processes, resources, and people to achieve organisational goals regardless of the size of the business (British Standard Institution, no date). Indeed, it is a universal approach for organisations based on customer orientation, process orientation, and continuous improvement (Hill and Wilkinson, 1995).

Excellence models provide leaders with the opportunity to improve their managerial skills; they offer a structure to the business resulting in organisational improvements and benchmarking opportunities to demonstrate best practices (Sampaio et al., 2012). However, they do not solve daily, mundane problems; they give a competitive advantage through the people and the infrastructure (Sampaio et al., 2012) to increase chances of success. Because success is measured by the attainment of goals, it is important to have clear goals otherwise success will not be quantifiable (Forsman, 2008). Goals are attainable through models of organisational excellence who outline the management philosophy through a set of principles, criteria and approaches to produce the best overall results (Sampaio et al., 2012). However, the literature appraises but does not highlight desirable models of excellence (Ghobadian and Woo, 1996; McAdam, 2000; McAdam and Kelly, 2002; Sampaio et al., 2012). There is no best model but they can be adapted to provide a useful framework for improvement and self-assessment (Sampaio et al., 2012). Overall, many quality models aim to link TQM to business goals in a number of ways (McAdam, 2000) therefore adhere to similar principles. The model evaluated in this inquiry is the EFQM BEM whose focus is on business practice excellence (Kanji and Tambi, 2002).

2.7.1 EFQM Business Excellence Model (BEM)

The European Framework for Quality Management (EFQM) who promotes higher standards of management through shared knowledge to encourage, support and implement sustainable excellence (EFQM, 2013) created BEM in 1991 and regularly reviews it. The model is a non-prescriptive framework for understanding the connections between what an organisation does and the results it is capable
of achieving (EFQM, 2013). The EFQM BEM focuses on business practice excellence (Kanji and Tambi, 2002); it is holistic, non-prescriptive, and applicable in “bite-sized” chunks or for specific issues (EFQM, 2013; Flow Consulting, no date). Further, it provides a powerful diagnostic tool to view strengths and identify improvement opportunities (Porter and Tanner, 1998). EFQM’s main aim is for businesses to gain accelerated competitive advantage through quality improvement activities, however is does not stipulate through what particular methods as it assumes that management drives end-results (Ghobadian and Woo, 1996). McAdam and Kelly (2002) found that managers use it as a conceptual, standard framework to guide the business through improvements and as a measurement tool to improve systems. Their research focused on 19 large organisations with existing interest in TQM and excellence awards so the findings may not be relevant to the SMEs context. Nevertheless, their findings align with Ghobadian and Woo (1996) who are of the view that it provides a framework for SME’s implementation of total quality.

The BEM is frequently cited in research relating to the public sector particularly in higher education (George et al., 2003). This is due to growing pressure on public institutions to fulfil customers’ requirements through continuous improvement (Hides et al., 2004). However, it is increasingly applied to SMEs (McAdam, 2000) as it identifies gaps between best practice criteria and actual performance (Oakland, 2001). Furthermore, it provides a sensible and logical basis for assessing performance and progress to achieve clear targets and objectives (Jacobs and Suckling, 2007). According to EFQM, the BEM is based on the premise that: “Excellent Key Results, Customer Results, People Results and Society Results are achieved through Leadership driving the Strategy that is delivered through People, Partnerships and Resource, and Processes, Products and Service” (EFQM, 2013:online). The model (see Figure 2.5) is in two parts: Enablers (how the business does things) and Results (how the business targets, measures and achieves) and consists of nine elements: five Enablers and four measures of Results. These are subdivided into a number of secondary elements. The Enablers are processes and policies that drive the business and facilitate the transformation of inputs to outputs and outcomes; the Results are
the measure of the level of output and outcome attained by the business (Ghobadian and Woo, 1996:11).

**Figure 2.5 EFQM Business Excellence Model**

![EFQM Business Excellence Model Diagram](image)

Source: EFQM (2013:online)

In this section, the Enablers and Results are summarised from the review of the literature (EFQM, 2013; Ghobadian and Woo, 1996; McAdam, 2000; McAdam and Kelly, 2002; Sampaio *et al.*, 2012). Leadership represents excellent leaders who develop and facilitate the achievement of the mission and vision. They develop organisational values and systems required for sustainable success and implement these via their actions and behaviours. Policy and strategy require that businesses implement their mission and vision by developing a focused strategy that takes account of the market and sector in which it operates. Policies, plans, objectives, and processes are developed and deployed to deliver the strategy. Further, excellent organisations manage, develop and release the full potential of their people at an individual, team-based and organisational level. They promote fairness and equality, involve, and empower their people. They care for, communicate, reward, and recognise, in a way that motivates staff and builds commitment by using their skills and knowledge for the benefit of the organisation. Excellent businesses plan and manage external partnerships, suppliers and internal resources to support policy, strategy, and the effective
operation of processes. During the planning and whilst managing partnership and resources, they balance the current and future needs of the organisation, the community and the environment. Finally, excellent organisations design, manage and improve processes to fully satisfy, and generate increasing value for customers and other stakeholders.

In theory, the BEM has potential as a preferable business model. However, in practice, there are problems with its application in an SME context; it is uncertain that the BEM can link total quality management to business goals (McAdam, 2000) because the business environment is dynamic. Despite the availability of various models supporting the implementation of performance measurement practices, their adoption in SMEs is still low; it is necessary to identify approaches that meet the specific needs of these companies (Garengo et al., 2005; Hudson-Smith and Smith, 2007). The synthesis of the literature and the three SME clothing suppliers case studies scrutinised in this investigation will evaluate the EFQM BEM as a theoretical and practical framework tool for SMEs in this sector.

2.8 Chapter Summary
This chapter set out to investigate the strategies implemented by UK SME clothing suppliers with internationalisation goals. It contains a review of entrepreneurs’ traits and leadership styles, internationalisation motives and theories, market entry decisions, suitable modes for entry, supply chain management, and quality strategies using the EFQM BEM as an analytical framework.

The general theoretical literature on this subject and specifically in the context of SME clothing suppliers is inconclusive on several vital questions relating to the relationship between organisational behaviour and market entry in early internationalisation and desirable models of excellence. However, the empirical evidence aims to respond to these problems. The review addressed some of the research questions:
Are strategies enablers in UK SMEs internationalisation goals?
Management in small firms varies because entrepreneurs possess different traits and characteristics, which determines their leadership styles (Hayton, 2015). Furthermore, their employees affect the culture of the workplace (Mintzberg et al., 1998; Stacey, 1996) and achieving strategic goals depends on the culture established by the employees (Hollyer and Bruce-Jones, no date). Therefore, strategic recruiting is essential in obtaining organisational competencies (Kay, 1993). Because entrepreneurs are networkers, team builders, opportunistic, innovative, responsive and risk-takers (Bolton and Thompson, 2004; Burns, 2014; Shane, 2003), they are able to make things happen (Stevenson and Jarillo, 1990). The inherent qualities of entrepreneurs do not ensure success and to achieve competitive advantages in a volatile environment, it is necessary to have adequate resources and competencies (Colovic, 2012; Mintzberg et al., 1998). Therefore, there is a need for strategic management decisions so that businesses can evaluate where they are, where they want to be and how they will get there (Colovic, 2012). Indeed, firms who decide to internationalise their operations because of market saturation and poor economic growth (Gereffi, 1999) will succeed if they prepare in advance (Hollensen, 2014).

Are market entry strategies critical to UK SME clothing suppliers’ internationalisation goals?
Businesses’ characteristics, such as age and philosophy, are determinants of the mode of entry into new markets. Firms are categorised as traditional/incremental (pushed into international market/s due to competition), born global (international goals from the onset, proactive), and born-again global (sudden change in circumstances such as new ownership pushes the traditional to global) (Bell et al., 2003). Key factors in entering new markets are culture, international capabilities (Doherty, 1999), and finding the right partner/s (Balabanis et al., 2004). Additionally, entry mode decisions are influenced by external (Gripsrud and Benito, 2005) and internal factors (Picot-Coupey, 2006). These factors may determine the market/s targeted; it may be physically or psychologically close market/s. Because of disparities between markets and cultures, international expansion is not straightforward (Hutchinson et al., 2006) and may require
adaptations. Distributing a brand, for example, requires marketing adjustments because brand image connects cultures and brand perception is subjective (Yakhlef and Maubourguet, 2004). Products and services adaptations are inevitable when operating in culturally different international markets but should be minimised to reduce costs and increase operational efficiencies (Vrontris et al., 2009). Therefore, businesses should develop an internationalisation strategy that includes internal and external factors such as organisational structure, finance, and personnel, as well as the nature of the foreign operations including the type of product sold, the intermediaries, and the markets so that they align their organisational capabilities with market penetration strategies (Welch and Luostarinen, 1988). Additionally, they should focus on strategic alliances as it requires no partnership with a local organisation (Alexander and Meyers, 2000), and would enable clothing suppliers to operate in foreign markets while minimising risks and costs.

3- How beneficial is the EFQM BEM framework as an analytical tool for SMEs in the clothing sector?

This chapter reviewed the suitability of the BEM as an analytical tool for SMEs. It is clear that for SME’s owner-managers survival is more important than growth (Storey, 1994). Furthermore, they are time and cash poor (Bennett, 1997; Burns, 2011; Cagliano et al., 2001; Hamill, 1997) so management systems may not be a priority. However, achieving specific standards requires supply chain management incorporating quality management systems. Still, the adoption of performance measure practices is low in SMEs and requires procedures that meet the specific needs of businesses (Garengo et al., 2005; Hudson-Smith and Smith, 2007). A number of systems were reviewed, however the EFQM BEM framework was singled out because it overtly recognises partnerships and succinctly lists the processes that drive businesses. It facilitates the transformation of inputs to outputs and outcomes (Enablers) and measures of the level of output and outcome attained by the business (Results) (Ghobadian and Woo, 1996). Therefore, it seemed appropriate to use this framework as an analytical tool for SMEs in the clothing sector.
4- How important is supply chain management in SMEs internationalisation?

National boundaries are less of a barrier in internationalisation due to a steadying global economy (AT Kearney, 2015b) and e-commerce resulting in higher export performance (Sinkovics et al., 2013). However, SME clothing suppliers need market knowledge and forward planning to meet retailer's demands for shorter lead times (Bruce et al., 2004). This requires agility so suppliers must integrate their operations and work closely with partners (Christopher, 2000) so that they maximise their resources. These businesses must assess whether they can satisfy needs profitably and if they have the right internal capabilities to deliver customer satisfaction, while adhering to quality standards through relationships, systems, and structure (Hines, 2013). Interestingly, the literature questioned whether SMEs are equipped to manage the supply chain and whether partners add value to operations (Arend and Wisner, 2006; Rezaei et al., 2015; Vaaland and Heide, 2007). However, SMEs in the clothing sector can gain competitive advantage through design expertise, for example through the design of packaging and corporate identity (Bruce et al., 1999). An innovative approach could significantly improve customer satisfaction without affecting lead times if incorporated in business strategies. The lack of literature relating to SME Clothing Suppliers in the UK means that generic research on businesses in the UK was utilised to draw conclusions on this hidden aspect of the supply chain.

2.9 Chapter Conclusions

The literature review clarified the interrelationship between SMEs supply strategies and the attainment of internationalisation goals. In summary, four main processes need appraising by SMEs: the environmental audit, the market entry, the supply chains, and the quality systems.

Environmental audit

SMEs wishing to develop an internationalisation strategy need to carry out external and internal environmental audits. A number of tools can facilitate this. One is the PESTEL analysis employed to evaluate foreign markets conditions
(external). The other is the SWOT analysis used to emphasise the Strengths and Weaknesses of the business (internal) and to identify/weigh Opportunities against Threats (external). These audits would contribute to aligning the firm’s capabilities with market penetration strategies (Welch and Luostarinen, 1988).

**Market entry**
Determining the market entry modes depends on finding suitable partners to operate successfully outside the UK (Balabanis *et al.*, 2004; Bennett, 1993) and on the firm’s Strength and Weaknesses. Strategic alliances (Alexander and Meyers, 2000) are favourable because they mitigate risk while keeping costs under control. Therefore, once the SWOT analysis is complete, it is important to develop a market entry strategy that is appropriate to the firm’s overall objectives.

**Supply chains**
The velocity of markets requires responsive capabilities (Hines, 2013) so that customer’s requirements are met. Because the trading environment is volatile (Centre for Logistics and Supply Chain Management, 2003), SMEs must operate in a lean (Christopher and Towill, 2000) and agile manner to achieve quick response (Bruce *et al.*, 2004). Therefore, to achieve customer satisfaction, their strategy must focus on internal and external processes to manage supply operations (Rich and Hines, 1997).

**Quality systems**
SMEs must strive to improve quality at every level to achieve business excellence. This is accomplished through embedding a TQM strategy in the management of SMEs through customer focus, continuous improvement, and employee empowerment (Reid and Sanders, 2007). A number of excellence models can improve managerial skills as they offer a structure to the business resulting in organisational improvements (Sampaio *et al*., 2012). However, businesses must have clear goals to quantify success (Forsman, 2008), which can be set through models of organisational excellence (Sampaio *et al*., 2012).
Owner–managers drive the four processes that are determinants in their business achieving internationalisation goals. The contributing factors include their leadership style, the management of their business, their strategies driven by goals, the resources they allocate, the business competencies in the partners they select, the systems they put in place and their customers’ requirements. The processes and determinants are synthesised in the integrative model shown in Figure 2.6.

**Figure 2.6 SMEs Internationalisation Strategies**

Source: compiled by the researcher
Chapter 3 – Research Methodology

3.1 Introduction

This chapter briefly discusses the research philosophy informing the study before examining and justifying the primary research methods selected. This section will demonstrate the rigour of the research and will explain how a robust methodological approach enabled the collection and analysis of data. There were two main research methods employed in this investigation: first, secondary research in the form of a literature review to scope the study and second, primary research adopting a qualitative case study approach.

3.2 Philosophical Stance

In social science, there are essentially two broad approaches to conducting research with an array of positions across the spectrum. According to Denzin and Lincoln (2005:12), quantitative research is nomothetic or etic science, based on probabilities; whereas social science as qualitative research is dedicated to insider, case-based positions, extracted from the specifics of particular case studies.

A useful framework by Burrell and Morgan (1979) help make sense of this in terms of studies that relied on objectivism and subjectivism. The first matter to consider is the nature of reality, which they explain as an ontological position or worldview of the researcher or, as Thomas Kuhn defines it, the paradigm in which the study is positioned (Kuhn 1970). In taking a subjectivist stance, one essentially subscribes to a world in which there are no absolutes and positions are relative. When philosophers discuss nominalism, they in fact mean relativism as opposed to realism (Burrell and Morgan, 1979). In science, and particularly physics, the researcher's worldview is objective. In taking this stance, they expect physical things to relate to each other in exactly the same way each time observations are made. In social science, the same exactitude might not be expected. Thus, social scientists often adopt nominalism as their nature of reality...
and regard human nature as voluntarism rather than determinism. The social world may not be causal in the same way as the scientific world.

It follows from this brief summary that knowledge may also differ. The type of knowledge generated in organisation studies is not something one would necessarily expect to be exactly the same across all organisations. Therefore, context becomes a very important consideration. For example, it is expected that differences between large and small firms will be observed. This very aspect may allow more light to be shed and generate particular rather than generalised knowledge, such as that in science. An important consequence of such difference is that the methods used to understand social science may be different to those used by the positivist sciences. In social science, the aim is not necessarily to generate law-like relations in the nomothetic sense that science does. It is more often concerned with generating ideographic knowledge; knowledge of the particular (time and context). It is with these matters in mind that the author has carefully chosen to align and position the work and so follow an ideographic approach. In doing so, this study is subjective, relative, and as such follows the interpretivist tradition - common in much social science. The next sections outline and explain why, following this tradition, the processes adopted are appropriate to achieving the research objectives.

Before doing so, it is useful to keep in mind that the literature review emphasised the significant role of the owner–manager in leading the processes that are determinants in achieving internationalisation goals. Because there is a scarceness of research on clothing SMEs, the organisation and management of their supply chain remains unclear. This thesis aims to uncover the strategies implemented by UK SME clothing suppliers so that their entry mode/s into international markets are better understood. To achieve this, four objectives were developed:

**Objective 1**
To identify strategies that enable UK SME clothing suppliers achieve their internationalisation goals.
**Objective 2**
To examine the international market entry strategies of UK SME clothing suppliers, with a specific focus on evaluating barriers and facilitators.

**Objective 3**
To evaluate the EFQM Business Excellence Model (BEM) framework as an analytical tool for SMEs in this sector.

**Objective 4**
To analyse the importance of supply chains in the context of the research study.

### 3.3 Research Design
So far, it is clear that there are two parts to the research: (1) a review of the literature and (2) an empirical stage involving case studies. Detailed discussions are provided in this chapter and will be linked back to the aim of the study.

The secondary sources reviewed include academic textbooks, journal articles, specialist reports, newspaper articles, governmental reports, and official publications to scope the field of study and develop knowledge relating to clothing SMEs in the UK. The evaluation of a blend of resources produced by specialists is “written from a particular standpoint to fulfil certain aims or express certain views on the nature of the topic’...’and the effective evaluation of documents in relation to the research being proposed” (Hart, 1998:13). Indeed, the literature investigation facilitated the analysis of specialists’ viewpoints and yielded data from governmental and professional bodies. Further, a critical summary of existing materials strengthened analytical arguments and lead to the formulation of logical conclusions (Blaxter *et al.*, 2010) thus this holistic approach created connections between “ideas, theories and experience” (Hart, 1998:8). Therefore, the secondary research helped to place the work in an historical and contemporary context; it allowed comparisons and provided a framework for further research (Blaxter *et al.*, 2010).
Purposive sampling technique with three UK SME clothing suppliers partially fulfilled the four objectives. This method means that the case studies were deliberately selected so that “most relevant and plentiful data” (Yin, 2011:88) would be obtained. This technique is particularly suitable when analysing very small samples such as case study research (Burns, 2000; Jankowicz, 2000; Neuman, 2014; Saunders et al., 2009). The case study research was longitudinal and studied developments occurring in three UK SME clothing suppliers over a long period of time (Saunders et al., 2009). Regular contact with the participants was sustained through informal one-to-one meetings, via text messages, and phone calls. These facilitated friendly exchanges thus ensuring that communication would be easy and information exchanged freely throughout the project. Regular contact meant that the participants felt at ease to disclose privileged information during the interview process. Besides, establishing a good rapport ensured that the companies agreeing to participate would be unlikely to terminate collaborations (Bryman and Bell, 2003). One company, referred to as Company A, supplied clothing to UK value retailers, seldom distributed clothing to European countries but expanded its operations to Dubai, the USA, and China. The second company, referred to as Company B supplied high-quality clothing to the UK mid to high-end retailers who traded in overseas markets. The third company, referred to as Company C, supplied branded dress-up clothing to high street retailers such as M&S and Tesco. During the course of this research, a USA party giant (referred to as AHI in this thesis) acquired the business in 2011. Company C became a wholly owned subsidiary of AHI as a result.

3.3.1 Criteria for the Sample Selection

These case studies were purposely selected (Bryman and Bell, 2003) because they fitted specific criteria. In particular:

a) They were small-sized SMEs as they employed fewer than 50 people (Rhodes, 2015; House of Lords, 2013).
b) They were located in the North West of England - a recognised geographical cluster in the UK clothing industry.
c) They had or were exploring international market/goals.
d) They were engaged in the production and/or distribution of clothing as a principal activity.
e) They were able and willing to participate in the study.

3.4 Case Study Research

A case study approach was an ideal investigatory tool as it provided opportunities for in-depth studies into one area (Bell, 2010; Blaxter et al., 2010) and captured individual human characteristics that were used to create the case studies from which patterns emerged (Sturman, 1997). A multi-case study approach was adopted to fulfil the aim through a concurrent mix of methods and because the value of a single case challenged validity particularly in crosschecking the information (Bell, 2010; Gomm, 2009). Furthermore, a single case study is often classified as an idiographic and hazardous generalisation of the area of research conducted (Gomm, 2009; Bryman, 2008), however, this does not mean that the context of a singular case study should be ignored (Blaxter et al., 2010). The intention here was to provide insights into practices adopted by the cases studied so that it would be possible to theorise and make knowledge claims from a small number of cases (Flyvbjerg, 2006).

This multi-case studies research approach consisted of non-standardised, one-to-one, semi-structured interviews conducted with industry practitioners as well as informal conversational interviews on the telephone with some of the European distributors who previously worked with the companies and who knew the researcher. Informal conversational telephone interviews provided a snapshot of experiences (Teddlie and Tashakkori, 2009) from an intermediary perspective and a rich vein of data useful for the analysis of the case studies. This was the only way to obtain their views as they lived abroad and would not agree to lengthy, formal face-to-face interviews. Furthermore, they no longer worked with the companies participating in the case studies. Therefore, the telephone conversations were informal and relaxed and questions occurred in the natural course of the conversation (Teddlie and Tashakkori, 2009) enabling the data obtained to be used to strengthen the case rather than support it.
Case studies were flexible and helped to draw broad generalisations in that they “tested contextual conditions that were pertinent to the phenomenon of the study” (Yin, 2003:13). In this instance, a multi-case studies approach was adopted and three UK clothing SMEs provided the context while the phenomenon tested related to the evaluation of the EFQM BEM as a theoretical and practical framework tool for SMEs in the clothing sector.

Another method of data collection that can test phenomenon is surveys, however it is limiting when an analysis of context is required because the amount of information obtained can be inadequate (Yin, 2003; Robson, 2011). The advantage of case study data is that it is derived from people’s real life practices and experiences as well as being realistic, accessible, and persuasive (Yin, 2003; Denzin and Lincoln, 2005) particularly when scrutinising political, social, and further contexts (Denzin and Lincoln, 2005). Case study research is a strategy of inquisition whereby an event, activity or process is explored in depth (Creswell, 2009). However, to present a strong case, careful attention was given to data collection techniques and analysis so that the design lead the researcher from the questions (from here) to the conclusions and answers (to there) (Yin, 2003). In this case, the questions related to the BEM “Enablers” namely Leadership, People, Strategy, Partnership and Resources, and Processes, Products and Services. Answers were analysed and conclusions formulated to facilitate the evaluation of the EFQM BEM as a theoretical and practical framework tool for SMEs in the clothing sector. It should be noted that the Strategy topic generated data on Leadership.

This empirical study enabled the researcher to investigate a contemporary phenomenon in a real-life context (Yin, 2003). Therefore, to obtain unbiased, reliable data, it was fundamental that all three companies should display similar attributes in terms of size, organisational structure and type of products sold by repeatedly testing the same scenario in order to see if patterns would emerge (Easton, 1992). Opponents of this research method dismiss it for being unclear and claim that details are assumed, overlooked, and not applicable to other
entities; however, when case study findings are analysed cumulatively, the basis for both sides of the argument disappears as the richness of details is preserved (Jensen and Rodgers, 2001). This method flags up good practice when it is systematic and highlights problems when it is not rigorous (Blaxter et al., 2010). Furthermore, analysis, depending on the complexity of the case, may contribute significantly towards the development of theory and help direct investigation into a topic area in the future (Burns, 2000; Cohen et al., 2000). Therefore, case study analysis enhanced understanding and knowledge by applying scholarly research questions. Further, credibility increased when triangulating the interpretations and descriptions in a continuous manner throughout the study period rather than small single steps (Denzin and Lincoln, 2005). Correspondingly, case studies have the ability to deal with multiple considerations using multisource and longitudinal data that makes them ideal for research into unique cases (Larson, 1993).

3.4.1 Sources of Evidence

According to Yin (2003) there are six major sources of evidence for case studies that need to be carefully evaluated to build robust case studies. An appraisal of this evidence, shown in Table 3.0, confirmed that interviews, review of documentation, and informal direct observations would be appropriate data collection techniques as the selection of multiple sources increased the reliability and validity of the case studies (Yin, 2003; Saunders et al., 2009).
### Table 3.0 Six Sources of Evidence: Strength and Weaknesses

<table>
<thead>
<tr>
<th>Source of Evidence</th>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Documentation</td>
<td>• Stable – can be reviewed repeatedly</td>
<td>• Retrievalability – can be low</td>
</tr>
<tr>
<td></td>
<td>• Unobtrusive – not created as a result of the case study</td>
<td>• Biased selectivity – if collection is incomplete</td>
</tr>
<tr>
<td></td>
<td>• Exact – contains exact names, references, and details of an event</td>
<td>• Reporting bias – reflects (unknown) bias of author</td>
</tr>
<tr>
<td></td>
<td>• Broad coverage – long span of time, many events, and many settings</td>
<td>• Access – may be deliberately blocked</td>
</tr>
<tr>
<td>Archival records</td>
<td>• Same as above (for documentation)</td>
<td>• Same as above (for documentation)</td>
</tr>
<tr>
<td></td>
<td>• Precise and quantitative</td>
<td>• Accessibility due to privacy reasons</td>
</tr>
<tr>
<td>Interviews</td>
<td>• Targeted – focused directly on case study topic</td>
<td>• Bias due to poorly constructed questions</td>
</tr>
<tr>
<td></td>
<td>• Insightful – provides perceived casual inferences</td>
<td>• Response bias</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Inaccuracies due to poor recall</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Reflexivity – interview gives what interviewer wants to hear</td>
</tr>
<tr>
<td>Direct Observations</td>
<td>• Reality – covers events in real time</td>
<td>• Time-consuming</td>
</tr>
<tr>
<td></td>
<td>• Contextual – covers context of event</td>
<td>• Selectivity – unless broad coverage</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Reflexivity – event may proceed differently because it is being observed</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Cost – hours needed by human observers</td>
</tr>
<tr>
<td>Participant observations</td>
<td>• Same as above (for direct observations)</td>
<td>• Same as above (for direct observations)</td>
</tr>
<tr>
<td></td>
<td>• Insightful into interpersonal behaviour and motives</td>
<td>• Bias due to investigator’s manipulation of events</td>
</tr>
<tr>
<td>Physical Artefacts</td>
<td>• Insightful into cultural features</td>
<td>• Selectivity</td>
</tr>
<tr>
<td></td>
<td>• Insightful into technical operations</td>
<td>• Availability</td>
</tr>
</tbody>
</table>

Source: Yin (2003: 86)

### 3.4.2 Interviews

An interview is an interactive or responsive relationship between the interviewer and the interviewee whereby there is scope for clarification and exploration (Gillham, 2005).
A semi-structured interview was conducted for each case because the research was exploratory and explanatory (Saunders et al., 2009), whereas an unstructured format can be unmanageable (Bell, 2010) and in this instance, would not have generated responses to specific answers. The format of the interviews was one-to-one and non-standardised because it did not require an interviewer-administered questionnaire and was designed around specific themes to extract responses from participants (Saunders et al., 2009). More precisely, the BEM “Enablers” provided a coding structure to the interview questions organised in specific strands; namely Leadership, People, Strategy, Partnership and Resources, and Processes, Products and Services. This strategy was adopted to evaluate the model as a practical framework.

The advantage of a semi-structured format is that it is flexible: on the one hand, it enabled the researcher to prepare a list of topics with questions and on the other hand, it did not have to follow the same pattern for each interview (Saunders et al., 2009). Furthermore, it allowed the interview to “shape up” without too many constraints, presenting opportunities for new topics to arise or to be removed if questions had already been answered in the course of the conversation at an earlier stage. This research method was selected because it was practical and essential for doing case studies (Gillham, 2005) and enabled greater understanding of the research topics (Bell, 2010; Gillham, 2005; Schostak, 2005). Indeed, semi-structured interviews were useful for obtaining data that may not be feasible using other means such as observation or questionnaires (Bell, 2010; Blaxter et al., 2010; Creswell, 2009). Interviewers that display acceptance, empathy, and respect will encourage participants to convey their true thoughts, emotions, and feelings (Bell, 2010; Blaxter et al., 2010; Burns, 2000).

It was relatively easy for the research to display these characteristics due to the long-standing relationships with the participants and their companies. Bogdan and Biklen (2003) view qualitative interviewing as a conversation rather than a formal, highly structured exchange between respondent and researcher. In contrast, Oppenheim (1992) claims that, to reduce biased, interviews should essentially be a one-way process where the interviewers must suppress their own
personality/views and remain unaffected by circumstances. Such a strategy would not have been appropriate for this research. Having nurtured relationships, this constrained approach would have affected the outcome of the interviews. A one-way process could have resulted in the participants becoming suspicious or created unnecessary tensions potentially leading to shorter interviews and fewer data-rich responses. That said, the researcher was careful not to influence the participants’ responses during the interviews, although a dialogue was encouraged.

The outcome was that the process of interviewing was comfortable and real in that the researcher took a practitioner-researcher role (Saunders et al., 2009). This is attributable to the fact that the interviewees respected the researcher because they knew that the researcher understood the subject discussed and as a result, they were more inclined to share in-depth information about their businesses. There is evidence of this in some of the interview transcripts where participants referred to previous events and customers leading to the interviews taking longer than anticipated. These reminiscing discussions gave the researcher the opportunity to ask probing questions resulting in extensive supplementary data. However, a dilemma occurred regarding the selection of the interview participant for Company B. Should the interview participant be a director who was unknown to the researcher or an ex-colleague who worked there as a senior sales manager? On balance, it was logical that a participant who knew the researcher would be more appropriate as this would provide parity across all interviews. Further, the participant would be more likely to relax and be open to probing which would lead to lengthy, in-depth responses.

The researcher thought carefully about whether or not to audio record the interviews and felt that, despite the fact that recordings could have provided a true and accurate record of events, the negatives outweighed the positives. In a recorded interview, the participants can be made to feel uneasy thus affecting the reliability of the responses; additionally, technical problems can occur which could lead to having to re-do the interview (Saunders et al., 2009). If interviewees feel uncomfortable, they may be reluctant to disclose confidential information
(Blaxter et al., 2010) which could result in biased results (Creswell, 2009). Technical problems did occur during the preliminary pilot interview leading to the interviewee looking baffled because the recording device malfunctioned which interrupted the flow of the conversation. Blaxter et al. (2010) state that the use of audio recording in an interview may not always make an interviewee unwilling to disclose confidential information but that it is down to the interviewee’s own discretion. Furthermore, using an audio recorder enables the interviewer to focus on the interview process, thus, observing and giving appropriate non-verbal communication and eye contact (Blaxter et al., 2010; Burns, 2000). As the researcher is familiar with shorthand writing and told the participants that a transcript of the interview would follow for their verification, it was decided that handwriting the responses would be more natural than recording them.

To overcome ethical issues, interviewees were told that they had the right to withdraw from the process before the interview started; they were happy to proceed on that basis. Helpfully, participants agreed to be contacted to authenticate the transcripts of the interviews and to confirm that they were a true and accurate record of our conversations; this precaution further strengthened and validated the interviews results (Saunders et al., 2009). In the case of Company B, the senior sales manager verified the responses with the director prior to giving the go ahead. Overall, this strategy increased data reliability thereby reducing misinterpretations whilst giving the interviewees an opportunity to add further comments. Having had time to reflect, they may have wished to amend or withdraw some responses. All participants were satisfied with the transcripts and gave permission to proceed and in the case of Company B, additional information was provided regarding orders sizes and breakdowns.

### 3.4.3 Documentation

As discussed earlier, completing in-depth case study research required the examination of documentation. For this research, and whenever available, in-house brochures, internet websites, company accounts and promotional materials were examined. Reviewing documentation can reduce the bias angle
and involved sieving through already available documentation rather than relying on the researcher producing the data (Bryman and Bell, 2003). Business research focusing on case studies often leads to the examination of documentary data (Saunders et al., 2009). The researcher was aware of the possibility of biased or inaccurate information contained within the documents examined therefore, they were mainly beneficial to enhance and substantiate evidence from other sources (Yin, 2003).

The analysis of the case studies’ accounts will provide further opportunities to ascertain if their internationalisation goals could be affected by their financial “health”. Achieving a robust interpretation of the data necessitated the clarification of the approaches taken for the analysis of the accounts. To that effect, the investigation of an additional three UK SME clothing suppliers accounts provided industry typical ratios so that like-for-like comparisons could take place. This measure increased the reliability of the findings and reduced the bias angle. The other three companies were Blue Max Banner Limited (schoolwear), VMC Accessories Limited (dress-up/accessories), and Whispering Smith Limited (menswear and womenswear). An overview of the six companies’ accounts containing calculations and discussions of the Current Ratio and Quick Ratio as well as the GPM and OPM are available in Appendix 1

To be precise, the Current Ratio is calculated as Total Current Assets divided by Total Current Liabilities. The result is a ratio that shows how much asset cover the business has for every £1 of liability that it holds. What this ratio does not take account of is the current asset mix. For example, if the business current assets are mainly stock, then it might not actually have the “cash” available to pay creditors as they fall due. For this reason, the Quick Ratio (also known as the “Acid Test”) excludes stock from the calculation. This is calculated as Quick Assets divided by Total Current Liabilities. This means that it only looks at the availability of ‘cash’ or near cash assets to cover liabilities. The reasons for this are that “cash and bank” assets are actual cash that can be used immediately to cover liabilities. “Debtors” are effectively cash as assets have been sold and therefore converted into cash – it just has not been collected in yet, but could be
fairly quick if required. However, stock is not “cash” until it is sold therefore, the business does not know whether it is going to be able to sell it or, if it can, how much it is going to be sold for.

The result is a much more stringent measure that gives a clearer indication of the ability of a business to cover its short-term liabilities as they fall due. If there is little difference between the Current and Quick Ratios, it suggests that the business is holding very little stock (as little has been deducted). If there is a big difference between the two ratios, it suggests that the business is holding too much stock (as there was a large amount to be deducted). In this case, the business probably needs to buy more stock to ensure that it still has products to sell and can keep on trading. If the Current Ratio is too low, the business should go on a sales drive, converting as much stock as possible into “cash” and then using the proceeds to buy more stock and selling that, too. If the Quick Ratio is too low, the business needs to go on a sales drive, but then it needs to use the proceeds to pay off creditors rather than investing in any more stock (as it probably has too much in the first place).

The GPM only takes into consideration the buying and selling price of the products. The OPM measures the level of profit after deduction of the operating or running costs of the business to assess the level of profit generated at this stage from the sales.

As mentioned in paragraph 2.2.4, the main KPIs considered in this data analysis are the Current and Quick Ratios as well as the GPM and OPM. The following basic standards provided by Chartered Accountant Susan Craig are explained in Appendix 2:

**Current Ratio:**

- 1.5-2.5:1 Normal range
- 1.5 Too low - action required to improve stakeholder’s perception of liquidity
- >2.5 Too high - cash could be used more effectively
Quick Ratio:
1:1 Normal range
<1 Too low - action required to improve stakeholder's perception of liquidity

Gross Profit Margin – Clothing:
20%-25% Low margin business

Operating Profit Margin – Clothing:
6%-7% Low margin business

3.4.4 Informal Direct Observations
The interviews took place in the business’ offices to minimise disruption to the working life of the participants. This was beneficial as it gave the researcher the opportunity to assess the working environment, which served as another source of evidence for the case studies (Yin, 2003). Through informal direct observations, it was possible to evaluate if there was a link between the organisational strategy and the way the workplace was configured. For instance, the office layout, the employees’ body language, the aesthetic of the office, and the general tidiness provided further evidence of the management strategy.

3.4.5 Analysis of the Data: Coding the Semi-Structured Interviews
The interviews produced an extensive amount of data that required an analytical framework to extract key points. For this reason, a coding system was developed. Indeed, one of the main challenges of collecting data from semi-structured interviews is coding the responses. Therefore, a coding method was designed from the onset so that responses could be crystallised to generate new ideas (Bartholomew et al., 2000). These authors further state that:

“Coded research interviews are the ideal research method and in some case perhaps the only appropriate method because coded semi-structured interviews allow to go beyond the content of the participants’ words and thoughts and capture the psychological processes that might be at work”. (Bartholomew et al., 2000:286)
Coding is not only about labelling, it facilitated the analysis of the topic and it developed into ideas through “data reduction”. One of the advantages is that the researcher frequently revisited the data to extract information so that qualitative coding became a “trusted friend” who provided explanations (Richards, 2005:85). There are typically three phases in coding for qualitative research used in this research:

1- Descriptive coding: resembles quantitative coding because participants were categorised in function of their age, gender, and occupation. Interview participants profiling.

2- Topic coding: it identified key topics and looked for associations, themes, and pattern formation such as word association and repetition. Planned according to the EFQM BEM “Enablers”.

3- Analytical coding: consisted of interpretations and reflections on the meaning of the responses. Richards (2005:88). Personal reflections and analysis recorded in Chapter 4 and titled “Type in report/Analytical”.

The first two phases were descriptive and factual, however, the third one relied on interpretation and reflection on meaning. Nonetheless, it is important to be aware of the pitfalls of over-coding whereby codes are devised for the sake of it, creating a web of confusion around the data (Richards, 2005). Therefore, careful planning took place in preparation for the interviews. The interview questions were categorised into themes based on the “Enablers” of the EFQM BEM. The interviews were conversational and flexible, and the responses were asked in no specific order. However, the interviewee made sure that all the questions were answered by keeping a tick sheet at hand. Once the data was collected, the responses were coded under the “Enablers” headings (as shown in chapter 4).

3.5 The EFQM Business Excellence Model as a Research Framework

The literature review on the EFQM BEM highlighted that leaders are the drivers of businesses and determined the people who work within it. Further, they
developed and implemented business strategies and created partnerships whilst
deciding on the resources. All these factors influenced the processes put in place,
the products sold and the services provided. If these “Enablers” are carefully
considered prior to the implementation phase, then positive results will be
achieved.

In order to facilitate the analysis of the topic and develop ideas through data
reduction, the coding of responses was planned according to the EFQM BEM
“Enablers” namely Leadership, People, Strategy, Partnership and Resources,
and Processes, Products and Services. Therefore, the questions were organised
to reflect the topics thus enabling purposive coding to take place (Richards,
2005). The data obtained during the interview was transcribed in an Excel
spreadsheet containing three columns: “questions/topics”, “participant answer”
descriptive), “note-taker notes” (descriptive and condensed answer) and finally
“type in report” (interpretation and reflection on the meaning of the responses:
rather like a personal diary recording thoughts and reflections). Condensing the
interview questions into notes facilitated the analysis of the responses and the
addition of personal reflections. That data was then used to generate a discussion
under each topic and for each company.

3.6 An Interpretivist Approach

Earlier discussions in this chapter demonstrate that the philosophical stance in
this research is interpretivist because it relies on the “rich detail of ethnographic
data” to frame and shape discussions (Hart, 1998:50). The research paradigm is
expressed subjectively because the participant’s perspective was gained through
interviews and observations (Denzin and Lincoln, 2005). Additionally, the
researcher could be classed as a participant, having worked with the interviewees
or their companies in the past, thus increasing the reliability and creating an
empathic stance. The basic theoretical assumption is that the approach is
inductive because the social interaction with the interviewees was structured and
organised through a system of coding and analytical tools (Denzin and Lincoln,
2005). The methodological framework attempts to contextualise the grounding in
the empirical world so that the participants’ voice interpreted by the researcher is reliable (Denzin and Lincoln, 2005). The interpretivist research approach is summarised in Figure 3.0.

**Figure 3.0 Interpretivist Research Philosophy**

Source: compiled by the researcher

### 3.7 Ethical Issues Evaluation

The conduct of ethical research is an advisable goal for researchers collecting qualitative data as a close working relationship between the researched and the researcher develops (Blaxter *et al*., 2010). It is important to be aware of the variety of ethical issues associated with informed consent namely privacy, secrecy, anonymity, commercial sensitivity, as well as the appeal of the research and its truthfulness (Blaxter *et al*., 2010). Therefore, the researcher ensured that the primary data collection was compliant with MMU Ethical Framework and to that end an Ethics form (see Appendix 3) was produced and presented at the beginning of interviews. Each interview began with a verbal briefing, detailing the purpose and aim of the research and, as advised by Gillham (2005), participants were made aware of how the data would be used and for what purpose. The researcher followed Burns (2000) recommendation and informed participants of their right to withdraw at any time. Additional ethical issues around confidentiality
and anonymity might still arise during the research (Burns, 2000; Bell, 2010; Blaxter et al., 2010; Giordano et al., 2007 cited in Creswell, 2009). It was the case with this research; the participants requested anonymity. Therefore, they were assured that the data obtained from the interviews and developing case studies would remain confidential so that it would not be presented or identified in a recognisable form (Bell, 2010). To overcome this, the names of the businesses and their participants were changed. Each case study is referred to as Company A, B and C and the names of the participants and their associates were changed to other names.

Informed consent of the participants needed to be obtained and agreed for the use of qualitative data (Bell, 2010; Creswell, 2009); which is thought to be the most fundamental ethical issue (Burns, 2000). The reason consent needs to be established before interviews are conducted and case studies are developed, is to educate the interviewees of the purpose of the research carried out, the procedures, the risks and discomforts that may be associated as well as its benefits (Burns, 2000). In addition, copyright clearance must be gained from the participants so that material can be modified and/or developed (Bell, 2010) this could include illustrations, photographs or a person’s words. Correspondingly, there are specific ethical issues associated with the use of the internet for research; this includes emails (Bryman, 2008). For example, participants should never be revealed and their signatures and headers should be removed from messages (Bryman, 2008). Personal safety needs to be assessed before and during interviews and this is particularly relevant when interviewees are invited onto the institutional premises of the researcher (Gillham, 2005). All of the applicable issues mentioned in this chapter were taken into account by the researcher.

### 3.8 Limitations of the Research

Some considerable time has passed since the initial proposal was written and inevitably, developments have taken place in the trading landscape. These shifts have influenced the direction and focus of the research. Predictably, despite
having developed collaborative relationships with the participants so that the interviews would produce data-rich answers, the structure of the companies examined changed. It was therefore essential to carry out preliminary pilot interviews to make sure that the companies scrutinised in the case studies were still suitable for this research project. Furthermore, due to past professional relationships with the interviewees, it was necessary to ensure that they did not assume the researcher knew the responses to the interview questions and as such, participants were encouraged to respond fully.

Additionally, many governmental and specialist reports were scrutinised to obtain statistical data on employment in the clothing sector, on the number of SMEs in the UK and particularly on the number of SMEs of clothing in the UK and in the North West. Not surprisingly, discrepancies were encountered; which could be attributed to the different authors’ perspectives because these reports were commissioned by specific agencies with a keen interest to present the data in a particular way.

3.9 Chapter Summary

The multi-case study research approach consisted of non-standardised, one-to-one, semi-structured interviews conducted with industry practitioners. Participants’ interview transcript validation was requested to ensure that their contents were accurate; which was followed by some informal conversational telephone interviews with intermediaries to obtain a snapshot of their experiences of working with some of the businesses. Documentation relating to the businesses was examined and informal direct observations were carried out to deepen the knowledge of the businesses and increase the reliability and validity of the case studies. Case study research was selected as it enabled the researcher to hone in on specific issues. Interview responses were coded using the “Enablers” in the EFQM BEM to facilitate its evaluation as a theoretical and practical framework tool for SMEs in the clothing sector.
Three in-depth case studies, focused on UK clothing SMEs in the North West, were purposively selected and constructed using a mixed range of methods. The structure of the primary research methods is summarised in Figure 3.1.

**Figure 3.1 Summary of the Primary Research Methods**

<table>
<thead>
<tr>
<th>Multiple Case Studies</th>
<th>Company A</th>
<th>Company B</th>
<th>Company C</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-standardised, one-to-one, semi-structured interviews</strong></td>
<td>Paul (Sourcing Director)</td>
<td>Lucy (Senior Account Manager)</td>
<td>Steph (Sales Director)</td>
</tr>
<tr>
<td><strong>Informal conversational telephone interviews with four intermediaries</strong></td>
<td>France</td>
<td>Benelux</td>
<td>Germany</td>
</tr>
<tr>
<td><strong>Documentation</strong></td>
<td>Websites, in-house brochures and catalogues, online articles from newspapers, financial data from the Companies House</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Informal direct observations</strong></td>
<td>Noting observations on the working environment. For example, office layout and aesthetic, employees’ body language, general tidiness</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: compiled by the researcher

Ethical issues were considered so that the primary research data collection could be carried out following MMU (Manchester Metropolitan University) academic guidelines and conventions, which increased reliability and validity of the results obtained.
Chapter 4 – Case Study Findings

4.1 Introduction

This research investigated the strategies implemented by UK SME clothing suppliers to determine their entry modes into international markets. The findings, presented and discussed in this chapter, resulted from multi-case study research focusing on three SME clothing businesses in the North West of England. To address the aim of the research necessitated the formulation of objectives, which were presented in Chapter 1.

The results from the interviews with the three case studies will be presented in the following order: Company A, Company B and Company C. The same structure will be applied to each case, starting with an overview of the business and its operational structure, the company and its director’s background, the descriptive coding, and finally the topic coding. The coded interview responses, based on the BEM “Enablers” and organised in a table format, will frame the extensive data. Each table represents an “Enabler” and is titled accordingly so that each case contains Topic 1 for Leadership, Topic 2 for People, Topic 3 for Strategy, Topic 4 for Partnership and Resources, and Topic 5 for Processes, Products and Services. A summary of the results is located under each topic/“Enablers”. A full copy of the anonymised interview transcripts is available in Appendix 4.

4.2 Company A

Located in Manchester, the business was founded in 2002 as a sister company to a larger group. The company supplies babywear and childrenswear clothing both within and outside the UK. The manufacturing process takes place mainly in China, Bangladesh and Pakistan and is overseen by intermediaries operating in these countries.
Company A was registered on 3rd January 2002 and has four directors. The business is medium-sized with a total of 27 people full-time plus two freelance designers.

**Figure 4.0** Company A: Operational Structure

4.2.1 Company Background

Company A’s website states that it and its sister companies offer a unique platform that is “highly versatile and adaptable to today’s growing international brands”. The group has a highly experienced management team as well as staff whose focus is on understanding and building brands in both the UK and Worldwide. It has over 20 years of trading experience and is one of the top UK importers of clothing and accessories. It owns and licenses many own and internationally renowned brands worldwide and “designs world class clothing”. The company website states that they source exceptional quality and have reliable and efficient distribution. Furthermore, they assert that they pride themselves on their relationships and services with partners who include retail chains, agents, licensees, and distributors based in Manchester (UK). Company A offers the opportunity for its customers to visit the Manchester showroom and view the brands and extensive ranges. Licensed products extend into a diverse range of categories from clothing, footwear, eyewear, stationery, sports equipment, giftware, and toys. They are pro-actively looking for like-minded
people to deepen presence in core categories and markets; they mention that partners are key to the success of their brands. Company A lists six in-house brand names on its website.

The company directors possess different abilities: one acts as finance director, the other as sales director, and the third (Paul) as sourcing director. The fourth director (Stuart) is a sleeping partner living in New York City and running a brand agency as well as being involved in real estate. Paul is the sole participant in the interview; he is the cousin of Stuart who created Company A who belongs to a larger group of businesses owned by Stuart. Paul worked for the group before becoming director of Company A and learned the skills of sourcing, buying, and selling from Stuart and the senior staff. He is therefore able to provide a great deal of background information on the group. When Company A was created, the newly appointed finance director and company secretary, who were initially employed by the group, followed Paul. The sales director came in the business a couple of years after the finance director. The sales director is the son of an ex-partner in the group. Other members of the sales director family own other clothing businesses. With the exception of Paul, all directors in the business are directors in other businesses with varied roles within each businesses.

To contextualise Company A and to better understand its business strategies, some background information on the group is vital. The group was founded in the 1990’s as an importer of value for money clothing in the sportswear and childrenswear sector. As the group expanded, Stuart believed it would be lucrative to create companies that would reflect areas of specialism. Therefore, in 1997, a second company was created to manufacture and distribute licensed sportswear brands as well as embryonic brands.

In 2001, a third company was established with its existing two wholly owned trading subsidiaries. The main activities of the company were the design, import, export and sale of evolving branded clothing. In 2002, the company employed 100 people and its mission statement “our brands in every home” was facilitated through sales to an extensive customer base ranging from the value and
discounted end of the high street as well as mail order catalogues. One of the company’s notable successes was winning a one-off contract to produce clothing for Ericsson. Goods were sold in many retail outlets in the UK and other parts of Europe for example: TK Maxx, Ethel Austin, TJ Hughes, Makro, Great Universal Stores, Intersport, Auchan, Carrefour, BHS, The Burton Group, Peacocks, C&A, Blacks Leisure, Matalan, Sport and Soccer, Galleries Lafayette, JD Sports, Champion Sport, Littlewoods, Tesco, Woolworth and Topshop. The higher-end retailers such as Galleries Lafayette and Topshop bought branded clothing ranges. Over the years, the company acquired a reputation for excellent customer service and strived to maintain strong relationships with agent manufacturers situated mainly in the Far East and the Indian sub-continents. The company culture had a partnering approach and positively encouraged staff to entertain and be entertained by these contacts. The company was credited with Investors in People award and, at that point, sold in excess of eight million garments. Its resources included a highly focused design department equipped with the latest IT and CAD systems. A flexible in-house reprocessing department and warehousing facilities with a capacity for approximately 4000 pallets meant that customers wants and needs could be served rapidly. Stuart was very successful and at its peak, the business employed 100 people and had a turnover of £38 million. The business lost focus and direction and started to struggle. It regained success for a short period mainly because of having obtained the Lonsdale clothing licence. When the life cycle of the brand reached its peak, Stuart acquired other clothing brands and developed an interest in properties and retail businesses.
4.2.2 Interview Coded Responses

**Descriptive coding:** Name – Paul, Age – 37, Gender – Male, Occupation: Director/Owner

<table>
<thead>
<tr>
<th>Questions/Topic</th>
<th>Note-taker notes</th>
<th>Type in report/Analytical</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Is your company part of a larger group?</strong></td>
<td>Part of the group, which merged all the businesses together. The first business was set up and traded for about 22 years. The group was created by Stuart and was very successful: at its peak it employed 100 people and had a turnover of £38 million. The business lost focus and direction and started to struggle. The group was formed and, as a result, picked up again when it acquired the Lonsdale brand. It lost focus again because Stuart was more involved with his brands portfolio, properties and retail. Company A was formed about 10 years ago to specialise in childrenswear. Stuart now lives in New York and is still involved in branding and clothing but his real focus is real estate. His other interest is to keep fit.</td>
<td>Company A is a standalone limited company and was created as part of the group who has gone through a lot of changes over of the years due to peaks and troughs in the business cycle. Brands have contributed to the success of the group. Its founder Stuart is an entrepreneur with interests in clothing, branding and real estate. He now lives in New York and keeps fit.</td>
</tr>
<tr>
<td><strong>2. What is the company structure and hierarchy?</strong></td>
<td>There are four directors in the business. It employs 25 people and there are six departments: design, sales, sourcing, merchandising, QA, finance/shipping/distribution. The design studio is at the heart of the business because customers see this as the business main strength. The business gives good credit terms to customers. Designers don't travel as extensively to get inspired as they use trend prediction websites: it saves money but they are welcome to if they need to or have the time. Trends for childrenswear don't change as fast. Sales are headed by David for the vast majority, Stuart does four UK accounts, Benny does Dubai and Paul does sourcing and looks for opportunities outside the UK.</td>
<td>The company is not owned by a sole owner, therefore, the share of the profits will have to be spread out. It employs 25 people though it did not appear that way during my visits. The structure of the departments is clear and most of the resources appear to be lavished on the design function. The company watches expenditure and feels that the credit facility and design service are keys to its success. Selling is shared between four people and sourcing down to one person.</td>
</tr>
<tr>
<td><strong>3. Do you have investors that are not involved in the day-to-day running of the business?</strong></td>
<td>Three directors own the business in equal measures.</td>
<td>The share of the profit is spread more thinly as there are three directors to reward.</td>
</tr>
</tbody>
</table>

The interview revealed that the business was not as large and successful as it once was. Of the four directors, three were directors of other businesses. Paul was the only one solely involved in Company A, while the others were involved in six, two, and 13 businesses respectively.

The refashioned business had a structured staff force with four individuals selling childrenswear in the UK and overseas. The in-house design facility was a key
strength of the business however designers were no longer travelling to do trend research and comparison-shopping. Paul justified this by stating that trends in childrenswear were not as fast-paced as in other areas of the market. This comment suggests that the business resources could be limited and so, to cut down on cost and to obtain trend forecasts, designers used WGSN. This strategy could make designers feel undermined as these trips are often looked forward with anticipation.

As seen in the company background (4.2.1), the business was created to complement the group specialism. The group sold branded sportswear (either through licences or created in-house), and branded (created in-house) value baby/childrenswear to the UK market. When opportunities to sell the baby/childrenswear ranges overseas occurred, Company A was created. This demonstrates that the directors had a vision for the business and developed it by creating systems that facilitated trading.
<table>
<thead>
<tr>
<th>Question /Topic</th>
<th>Note-taker notes</th>
<th>Type in report/Analytical</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. What is your staff turnover?</strong></td>
<td>Low staff turnover. Over ten years on and I still have many staff you know.</td>
<td>Loyal workforce.</td>
</tr>
<tr>
<td><strong>2. Do members of staff receive regular appraisals?</strong></td>
<td>No regular appraisals but staff are told how they are performing by their line managers. Paul only involved when necessary.</td>
<td>People are told how they are doing on an ad-hoc basis perhaps when they ask for it. Paul could be seen as the problem solver or as someone who does not like to be involved in these matters unless necessary.</td>
</tr>
<tr>
<td><strong>3. Are members of staff given targets?</strong></td>
<td>Sales staff are.</td>
<td>Despite talking about the importance of the design function, it is sales people who are rewarded.</td>
</tr>
<tr>
<td><strong>4. Are members of staff rewarded for achieving targets?</strong></td>
<td>Sales staff get bonuses. Other valued members of staff get rewards such as an exotic holiday as a thank you gesture.</td>
<td>Selling is target driven. Paul is generous and wants to please the staff he values however may not be able to do so as a cash bonus. His connections with other business owners will enable him to find a sizable reward at a keen price.</td>
</tr>
<tr>
<td><strong>5. Are salaries reviewed on an annual basis?</strong></td>
<td>The climate is tough but the company tries to review salaries whenever possible.</td>
<td>The business may be struggling to therefore salary reviews are not at the top of the agenda.</td>
</tr>
<tr>
<td><strong>6. Do you carry out team building activities?</strong></td>
<td>No.</td>
<td>Other than the Christmas party the staff (mainly female) organise their own social events thereby indicating a strong bond between some people.</td>
</tr>
<tr>
<td><strong>7. Do the members of staff receive training?</strong></td>
<td>No. Senior people train junior people / new members of staff. The exception being training for new software implementation.</td>
<td>To minimise cost the company relies on more senior members of staff to train junior or new ones. Even training is done in-house presumably to reduce cost.</td>
</tr>
<tr>
<td><strong>8. Are the members of staff given the opportunity to express ideas and opinions?</strong></td>
<td>Open-door policy.</td>
<td>Paul is approachable and welcomes ideas and opinions. Some of these could be of benefit to the business.</td>
</tr>
</tbody>
</table>

Paul was generous and approachable and as a result, his staff were loyal despite not receiving regular appraisals or salary reviews. There was no formal training for new members of staff. There may be several reasons for this: the expectation that they would learn from others, testing if they could do the job and fit in, or lack of resources due to no office manager being available to carry out training.

The sales team received rewards because their role was target-driven but the designers, who according to Paul, were just as important, did not. Paul mentioned things being tight and stated that pay rises were not at the top of his agenda. Nevertheless, Paul compensated for the lack of finance by rewarding his most valued staff. For example, he treated his senior merchandiser and her husband
to a cruise in the Caribbean. This was possible because one of his cousins, who owned a travel agency, found a good deal. This gesture had impactful results with his staff because she mentioned it to the researcher even though the trip occurred several years ago. The author experienced similar, kind gestures; Paul lent her his Porsche for periods of up to a week as a reward. These ad-hoc reward strategies may not be favourable as they may generate resentment among the staff and upset the culture of the office.
All of the directors were aged between 35 and 47 years and mentored by older, experienced individuals. The family ties or long-standing relationship among the directors/mentors meant that business discussions could take place on or off the premises. The business held regular meetings so strategies could be reviewed and modified at short notice. This suggests that the business could exploit changes in circumstances and use its networks to its advantage so that it could react to market fluctuations rapidly. Nevertheless, it was financially exposed due to day-to-day market fluctuations and high levels of stock.
The business supplied value-end retailers in the UK and was acutely aware that it was not equipped to deal with multiple retailers such as Tesco. Therefore, it had to be creative, and provided a benefit service to cash-strapped customers by offering credit and payment facilities as well as excellent in-house design services. The strategy was communicated in an informal manner: it tended to be discussed on an ad-hoc basis and probably through word-of-mouth.

The business was not particularly successful in Europe, which interestingly coincided with the dissolution of the group in 2008 and the arrival of the new, less experienced directors. In the 1990’s, the group was a successful childrenswear and sportswear supplier consisting of three businesses: one who supplied sportswear brands, the other who supplied childrenswear to UK value retailers and Company A. Company A was created later to supply childrenswear to overseas markets. The dissolution of the group meant a reduced number of staff for Company A who was by then specialising in the supply of childrenswear to the UK and overseas customers. In a bid to maintain the key accounts, the new directors handpicked a team from the groups’ pool of staff. Unfortunately, many of the key UK accounts were lost when the group dissolved. As Paul stated, the business was not equipped to deal with multiples such as Tesco. Therefore it is reasonable to assume that any large multiple would be out of Company A’s reach. This is because the business did not have the infrastructure to deal with these customer’s onerous requests.

More recently, the business supplied mainly value retailers in the UK and cleared stock through TK Mass and third party discounting websites. Large amounts of unsold stock caused cash flow problems and the business had to find strategies to get rid of it. The issue of stock and cash flow existed when the author worked for the businesses. In fact, this almost forced the group into bankruptcy on several occasions. As a result, the business had to push ranges into new markets such as Dubai and Russia (as seen in Partnerships and Resources). Consequently, this suggests that the need for survival lead the strategy of the business rather than the other way around.
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<th>Questions/Topic</th>
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<tr>
<td>1. Do you sell your products outside the UK?</td>
<td>Yes they do.</td>
<td>The succinct answer leads me to question how successful this is.</td>
</tr>
<tr>
<td>2. If so, do you sell to Europe or any other destination?</td>
<td>Little in Europe, the Middle East (Landmark customer in Dubai) and the USA.</td>
<td>This response confirms that the operation in Europe is small however, the company does business in Dubai and the USA (could this be linked to Stuart’s move to New York?).</td>
</tr>
<tr>
<td>3. Do you employ your own UK sales force to sell to these markets?</td>
<td>Recruiting specialised staff does not work for the company. The directors go and find opportunities overseas.</td>
<td>The business may not be in a position to afford a dedicated sales force for overseas orders. “Finding opportunities” could indicate that directors work in a haphazard way rather than follow a strategy.</td>
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<tr>
<td>4. If so, are there any specific qualities that you deem essential to fulfilling the position?</td>
<td>People need to be flexible, willing to do business in unknown markets and possess &quot;the gift of the gab&quot;. Additionally an understanding of the supply-chain processes is imperative to keep a relationship with customers. Honesty and truthfulness are other required qualities. This is because many people can damage your business. Different customers require different approaches: they have a good balance in the business. Selling is a personal thing.</td>
<td>Paul shows how much he understands about his business. His remark about &quot;people can damage your business&quot; demonstrates that he must have had bad experiences in the past. He appears to be instinctive about the people he works with and understands that different buyers like different types of sales people thus indicating a willingness to adapt to different situations.</td>
</tr>
<tr>
<td>5. Outside your UK customers, do you have a dedicated team following the European or other markets' orders?</td>
<td>Ideally yes, but it is not possible. They have tried but the workload is not constant enough to justify this. They operate as one big team and share the workload on a need basis. The growth in the Middle East (i.e. Landmark in Dubai) may justify its own team.</td>
<td>Paul appears to pin big hopes on his Middle East customer as he is thinking about dedicating a team to that customer.</td>
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<td>6. What training do you offer to your staff to ensure that they understand the requirements of dealing with third parties in a foreign country?</td>
<td>No training is given. People learn on the job.</td>
<td>This environment would not suit every individual who may feel &quot;thrown at the deep end&quot;. With no training, the reliance is placed on the individual who needs to be a quick, adaptable and autonomous learner</td>
</tr>
<tr>
<td>7. Who are your main customers both in the UK and in Europe?</td>
<td>Paul offered the name of his UK customers earlier on. Europe does not appear to present many opportunities. There is a distributor in France who did £1m of business at its height. Germany and Holland are very small customers. They try to avoid markets with a small population such as Israel and Denmark. Business in Germany is difficult due to cultural differences; they are not keen to work with a UK trading company as they are bureaucratic. Europe is not interesting unless someone comes with opportunities.</td>
<td>Paul is vague about business in Europe but mentions a distributor in France who did £1m of business. He is not specific in terms of product types / timeframe. Paul seems dismissive of the European market perhaps because the business cannot cope with the specific demands of various markets stating that &quot;Germany is quite bureaucratic&quot;. One senses that, at the moment, not much is happening there. However, should an opportunity occur, all this could change rapidly.</td>
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<tr>
<td>8. How long have you been</td>
<td>11 years (the company was founded in 2002).</td>
<td>The business is familiar with that market since it has always traded in Europe.</td>
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<tr>
<td>Question</td>
<td>Answer</td>
<td>Further Information</td>
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<tr>
<td>9. Do you attend or have a stand at trade fairs?</td>
<td>Yes.</td>
<td>A brief answer that may indicate that the business does not do so on a regular basis or else Paul would have expanded on it.</td>
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<td>10. Can you specify which fair?</td>
<td>Canton Fair is for Chinese trading companies and factories and we have a stand there as it is good for business (stock and contract)</td>
<td>Canton Fair is one of the largest trading fairs in China attracting visitors the world over. By exhibiting there, the company demonstrates that it is flexible and keen to seek new opportunities wherever that may be.</td>
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<td>11. What are the key benefits of trade fairs to your business?</td>
<td>People attending the fair have big businesses unlike some of the smaller ones encountered at UK trade fairs who they do not cater for. Company A is a trading company offering design and funding services out of the UK but based either out of China (Paul gives me his business card with an address in China), Pakistan or Bangladesh. The Middle East Customer from Landmark was met at the fair a couple of years ago. Last year they met a large Canadian customer and this season they made up to £3m of stock order from the fair. The company tried different scenarios at the fair. For a couple of seasons they employed Chinese staff. This is because they thought that if potential contacts saw a person who was not Chinese on the stand, they might assume high prices would be quoted. Another scenario was using the UK sales director. Things worked out better because he was able to identify genuine queries, knew the products well and could close deals. Paul is thinking about doing a clearance show at the NEC in Birmingham as he currently carries too much stock. The company is creative in its approach to finding opportunities and demonstrates an agile predisposition. The conversation often centres around vague descriptions &quot;a large Canadian customer&quot; and &quot;£3m of stock orders taken at the fair&quot; facts are rarely backed up by evidence. The company carries too much stock, which is dangerous for cash flow hence the business is looking for ways to clear out overseas and in the UK NEC. The company is not averse to trying different scenarios before hitting the &quot;right note&quot;.</td>
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<tr>
<td>12. Do you retail in all the following countries: France, Germany, Italy and the Benelux?</td>
<td>Garments are not really sold by retailers in European countries. More opportunities in Russia and the Middle East. Want to try South America, Canada and maybe the States as it is untapped by British companies. Opportunities starting in Australia: met a few people but difficult due to seasons being back to front. Looking for opportunities everywhere: potential in Africa and North Africa for stock items.</td>
<td>Paul initially said that childrenswear was not as trend led and that he carried too much stock therefore Australia could be a great market. Seems desperate to explore further markets since Europe is no longer a big player for the business.</td>
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<td>13. Do you use intermediaries such as agents and distributors?</td>
<td>We do to sell stock items. Many styles and small quantities are sold to many small customers. The other side of the business is made to order (MTO) and sold directly to retailers and shipped from the Far East port.</td>
<td>The company tries to accommodate different types of retailers: the small and the independent retailers as well as the large multiples where the goods are shipped directly from the Far East.</td>
</tr>
<tr>
<td>14. If so, can you tell us about the recruitment process?</td>
<td>Nothing formal: meet people and trial and error.</td>
<td>There is no strategy in terms of recruiting intermediaries: it is trial and error.</td>
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<th>15. What are the main queries made by your intermediaries?</th>
<th>Main queries are on testing for stock items but they standardise tests to meet BSI (British Standard Institution). The customer in Dubai has 200 stores in 40 countries. These orders are difficult to manage because invoicing, shipping, carton assortments, markings and packing all differ. The operations are helped by the China office however, it is hardly operational any more. They had a few offices notably one that closed about three years ago and who used to buy trims, fabrics and gave work to factories. There was a tax advantage from the Chinese government to have this sort of set up. However, if shipment delays were encountered, there was not a lot that could be done because Company A was financially committed to the fabric etc. Paul learned a lot from this experience namely how to break down cost but it was not a sustainable option for the business so they set up the office in Hong Kong for tax purposes. In fact, that office is already operational as it belongs to one of the director's brothers who has a menswear business so they have a desk in that office. Not much business is placed in China now (10 to 15%) things have moved to Bangladesh even though there are still problems in terms of floods, power cuts and shipment delays. The business works with Tushan (who the researcher has worked with and visited on many occasions in Bangladesh) but on a commission basis (he gets paid on invoice) rather than acting as a go-between as he did in the past. Paul mentioned that he had interviewed quite a few people but was not sure that it wasn't going to end like China or Pakistan therefore he chose someone he already knew.</th>
<th>The business is trying to manage the complex Dubai orders from their China office. It transpires that the office is not theirs but that they had piggybacked on another business set up by one of the director's brother. The business is opportunistic in that it will move its operations rapidly pending upon where the most advantageous business set up happens to be. For example if there are tax advantages. Trial and error strategies have clearly gone wrong in the past. It may be that the business lost money when setting up in China and Pakistan thus exposing itself to unnecessary risks by purchasing all trims and fabrics. They are now trying another avenue using a known connection. However, the relationship is changing so that Company A has more control of the situation.</th>
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<tr>
<td>16. How often do you have face-to-face meetings with your intermediaries?</td>
<td>When required but for big accounts generally on a monthly basis.</td>
<td>Paul wants to nurture his big accounts.</td>
</tr>
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<td>17. Where do these meetings take place?</td>
<td>Meetings take place outside the UK. Paul travels to Dubai every month and visits his contacts on the way.</td>
<td>The business is mindful of expenditure and tries to achieve as much as possible in one trip. Paul is keen to keep the Landmark customer in Dubai happy. It clearly represents a big opportunity for the business and they want to nurture it perhaps having learned from negative past experiences.</td>
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<tr>
<td>18. Any specific reason for this choice?</td>
<td>Visas for some customers and it is on the way to Bangladesh. It makes life easy for customers at no extra cost.</td>
<td>Mindful of expenditure and keen to please customers. Paul needs to go to Bangladesh on a regular basis to assess production progress and at the same time visits his customers. They may think he comes especially to visit them thus feeling as if they are receiving excellent customer service.</td>
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19. What are the key points of discussion during these meetings?

Stock surplus. Good business in Russia and Dubai but carries too much stock. The volume of stock is putting pressure on the business. Why not exploit the African connections previously mentioned?

20. Are your intermediaries selling your products online? If so, in which country?

Company A has started to sell online in America via the bidding website Zulili who has 11 million customers. Opportunistic strategy possibly using Stuart's contacts in the States. They were "quite" successful, again a vague statement. No sales volume or turnover is specified. Paul did not respond to this question properly and diffused his answer.

21. Do you impose a recommended retail price to ensure parity across the markets?

Pricing strategies for the same product vary according to the market: If in a cheap market, they offer cheap prices and if in a medium level market, they offer medium level prices. This gives customers the illusion of better value for money. The example of James (a French customer the researcher worked closely with due to also being French) is recalled. He implemented exactly the same strategy. Hard to control price due to having distributors and sales people worldwide. Generally they try to fix a general price point aimed at a low to middle market levels but leave it to people to decide if they want to take it to a different level. Trying to have a price strategy but leaving it to individuals to decide. The attitude is passive in that the company is happy to let intermediaries take control of pricing to suit their market. This can be indicative of the fact that Company A does not fully understand the market of the countries they supply. This is probably due to limited resources to carry out market analysis.

Paul was mindful with whom he should associate as he implied having had problems in the past. When Company A was part of the group, the supply in Europe brought a large turnover to the business. However, the interview revealed that the supply had shifted to other parts of the world. Paul admitted that the business was not geared to dealing with EU and multiple retailers’ demands. As business in the EU dwindled, the need for Paul to discuss this topic diminished. However, he was keen to underline his success with the Landmark account in Dubai. It was such a large account that Paul was considering dedicating a team to it but had not done so at the time of the interview. Additionally, Company A sold clothing through an online selling platform in the USA, a decision probably encouraged by Stuart who lived there.

The company spent resources carefully so, when travelling, Paul ensured that he combined factories and customers visits in each trip. It is interesting to note that there was no pricing structure for overseas markets. This may indicate a lack of market knowledge or an ambition to generate sales at all cost. However, should the business develop a transactional website this strategy could cause frictions.
The business carried too much stock, which affected the cash flow, and so the buying budget reduced. Paul was always trying to find opportunities to liquidate the stock in various markets such as Australia, Africa and at the NEC in Birmingham. Trade fairs brought opportunities for the business. The Canton fair provided a central location for networking with potential and existing customers. Having a stand there appeared to have paid off as they secured a large account from the Middle East and met a stock clearance buyer from Canada.

Company A supplied European markets for 11 years through a network of intermediaries consisting of agents and distributors. Over time, and due to difficulties with these individuals, the business decided that it was preferable to supply markets directly. Paul blamed bureaucracy, packaging/labelling, small market sizes, cultural differences, and internal capabilities for ceasing business in these markets. Therefore, it is logical to conclude that the business did not have the competencies to satisfy intermediaries’ demands. Further, their elimination would increase the business margins and market selection.

Company A tried new solutions to liquidate the stock. In all five years, 2010-2015 (see Appendix 1), the company’s Current Ratio was completely within the normal tolerances, suggesting that it was generating sufficient cash flow to cover its day-to-day operations. The Quick Ratio, however, suggests a different picture. In every year, the ratio was well below the desired tolerances, falling as low as 0.51 in 2012 and 0.49 in 2013, these being about half of the desired level. The data suggests that the company had a serious cash flow problem and carried too much stock thus corresponding with the interview findings. The bulk of the Company A’s money was tied up in stock, leaving it with very little cash to drive its business forward and to support any strategic plans. Despite its low cash levels, the company managed to continue trading but was vulnerable to market changes. The Quick Ratio for 2014 suggests that action was taken to reduce the stock levels, although they did not fall to the 2010 level, which was the closest the company had been to the desired level. This would explain why Paul was desperately trying to find opportunities to liquidate the stock.
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<td><strong>Topic 5 – Processes, Products &amp; Services</strong></td>
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<tr>
<td>1. Do you specialise in a specific area of the market (for example accessories, womenswear, etc.)?</td>
<td>Real expertise is in babywear and childrenswear sold under the brand names created in-house. Trying new avenues over the past 12 months: womenswear, menswear and socks. Menswear easier due to large volumes, easy to source and money to be made as it is not high fashion for target market: classical lines for slightly older men. Ladies would need a new set up and hard to compete due to fast fashion. Another proof of the versatile and agile ways in which the business operates. The emphasis on making money on menswear may indicate that other avenues are not quite as successful. The business is trying hard to find a path to success.</td>
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<td>2. Do you find that you need to adapt your product in order to sell outside the UK?</td>
<td>Adaptation in terms of packing and shipping requirements. Specific demands from countries such as for example no skulls, animals, anchors, five points star, crosses or religious inclinations for Dubai. Childrenswear is not as modest as womenswear. In France they like the traditional styling, skinny jeans and more fitted for boys as well as no pink for girls. A lot of Europeans don’t like transitional products like jackets and fleeces in the summer. Sizing can be an issue as the market demands bigger sizes on babies. A wide variety of garments is produced to cater for many different countries. The business understands the needs of their customers and must be &quot;good listeners&quot; during buying meetings. Experience helps the business understand what sell and what does not sell. Trying to appeal to as many markets as possible highlighting opportunistic tendencies.</td>
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<td>3. What are the sampling requirements?</td>
<td>Sampling is an issue to the business: if it could be put right more sales would follow. The business has tried to get the sampling right probably when it had offices in China and Pakistan but failed to do so. Paul feels that it holds the key to more sales. Sampling was an issue when the researcher worked there.</td>
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<td>4. How flexible are you with regards to adapting to market demands and change?</td>
<td>Have to be flexible and look for new opportunities. Change is the name of the game. &quot;Change is the name of the game&quot;: this statement underlines how aware the business is of the need for adaptability, agility and flexibility. It is not afraid to go out and look for opportunities.</td>
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<tr>
<td>5. Have your turnover and profitability increased over the past 12 months?</td>
<td>Doing well. A vague statement with no figure to back it up. Is he trying to keep face? The financial data obtained from the company house will be revealing.</td>
<td></td>
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<td>6. If so, can you attribute it to anything in particular?</td>
<td>Yes, Middle East: (Landmark) open, booming market. The account has been open for a year and is worth £5m. Good customer as it funds the orders and is financially stable. Pins a lot of hope on Landmark customer and has tendencies to generalise by stating that the whole of the Middle East is an open, booming market.</td>
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<td>7. Have you had to change your strategy with regards to European exports over the last 12 months?</td>
<td>A lot of people want to open standalone shops selling our brands. The contact has one in Poland as well as an office. Company A has a contact there who seems to act as an agent and is currently opening contracts there and in surrounding territories. A vague (&quot;a lot of people&quot;) response and opportunist trend: met someone somewhere and started another venture. No real depth to the shop set up or to the actual volume of business and of the surrounding territories.</td>
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8. If so, can you expand on it? This contact has little hubs everywhere including Russia (the researcher knew and dealt with this contact in the past). This person has finally managed to find a big account with 200 department stores. Russia is exploding now and less corrupt however it is bureaucratic. The contact is Russian and is and used to Russian business practices. There is hope everywhere: Middle East, Poland, Bulgaria, Canada and Australia. Contacts appear to work on a commission basis. Vague terminology "little hubs everywhere", "Olga is now big in Russia" and "hope is everywhere". Is he talking himself into success, does he have a tendency to generalise; for example one big order in Russia translates as "Olga is big...Russia is exploding" same as with the Middle East where one big account seems to mean that the whole of the Middle East will be conquered.

9. Are you planning to withdraw from some of the countries previously discussed? If so, why? Italy tried and test but did not work out. Cannot find the right intermediary and difficult market. Nothing came of Italy as the market is called "difficult" and intermediary did not have the contacts.

10. Do you use any other distribution methods? If so, can you tell us more? The internet is big. Acknowledges that the internet is big: next project?

11. Do you sell online? No. Knows it is big but perhaps does not have the infrastructure or the resources to set this up.

12. Do you have a website? Yes but not transactional: thinking about setting one up. It would be logical as all samples are photographed. Not sure how customers would react: needs looking into. Has identified that a transactional website would be a good opportunity and would make good use of the work already done with photos. However, it could go in direct competition with some of their customers.

13. How regularly is it updated? Not often. The website has not been updated for at least 12 months as the researcher regularly checks it out. Therefore, the business either has not got the time or the resources to set this up properly.

14. How important is the website to maintain the company's image? Useful for direct and potential customers. No big statement made. Therefore, this could indicate that it is a low priority.

15. Who updates your website? Pay an agency. No in-house facility to deal with IT.

16. Are your garments made-to-order and therefore retail under your customers' own brand name? Both: MTO business is under customer's own brand but stock in in-house brands and is valued differently in various countries. Both as previously discussed.

17. Can you give some examples? Sell all over the world: probably over 40 countries (more possibly), everywhere. Grand statement about having a presence everywhere. However, no real breakdown of what countries, customers, sales volume and turnover. Words like "all over", "probably", "more possibly" and "everywhere" highlights a desire to conquer the market but does not convince that it is a reality.
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<tr>
<td>To who are the majority of your products sold to in the countries mentioned (supermarkets, retailers, concessionaries, etc.)?</td>
<td>Products sold in a mixture of retail set up in these countries.</td>
</tr>
<tr>
<td>Can you give a breakdown of the retailers in each country?</td>
<td>Difficult.</td>
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<tr>
<td>Do you sell your own brands to these retailers?</td>
<td>Yes in some cases: our babywear has always been the most popular brand.</td>
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<tr>
<td>Do you possess a licence to distribute a brand (such as Disney)? If so, which one/s?</td>
<td>Stuart’s territory is branding. I acquired a couple of brands that are cheap to license but nothing has been done with these brands yet. I have tried and failed with the Sketcher sock licence, as the business is not geared up for it. Now I have decided to focus on in-house brands and am considering the Magic Show in the States.</td>
</tr>
<tr>
<td></td>
<td>The babywear is the bread and butter of the business and Paul is aware of that strength.</td>
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<td></td>
<td>Trialling to emulate Stuart’s success with branding without exposing the business to large financial risks. Has not had time to do anything with these brands yet and probably cautious as things did not work out with Sketcher socks. Looking to refocus on in-house brands and perhaps attend A show in the USA to seek out new opportunities.</td>
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The business tried different business models but kept coming back to its strength consisting of the supply of childrenswear ranges created in-house. Paul was an optimist who concentrated on the successes rather than the failures.

The business tried hard to find a path to success and trialled as many markets as possible. The findings indicate that the strategy for market entry was haphazard and opportunistic. Paul’s extensive knowledge of product sourcing and buying was a strength of his business. He was aware that online sales represented a significant stock clearance opportunity and wanted to set up a transactional website in the near future. Sales were tested through online selling platforms such as Zulily and gave Paul the confidence to consider setting up a transactional website. The findings show that the business was reactive therefore it is surprising that they had not followed this up. This may indicate that poor cash flow and limited competencies were the main barriers to realising this project. This could also be due to the lack of accurate sales samples. Indeed, Paul reckoned that the company still had not mastered the production of sales samples. He felt that should this be put right, sales would increase.
4.3 Company B

The company was established by Phil in 1999 and has accumulated many years of experience supplying mainly childrenswear as well as some ladieswear and menswear to many high street brands. The business specialism is childrenswear and it supplies the likes of Boden, The White Company and John Lewis. The company also manufactures its in-house childrenswear and babywear brand who has a transactional website.

The company is based in Stockport and employs a team of designers, garment technologists, merchandisers and account managers. The business is medium-sized as it employs a total of 21 people full-time.

Lucy, who is a senior sales executive employed by Company B and a previous colleague of the researcher, participated in the interview.

Figure 4.1 Company B: Operational Structure

![Diagram of Company B's operational structure]

Source: compiled by the researcher

4.3.1 Company Background

Company B is a private limited company with a team of four directors. In contrast to Company A, it appears that with the exception of Phil (who is a director of two other companies) all the directors only have interests in Company B.
### 4.3.2 Interview Coded Responses

**Descriptive coding:** Name: Lucy, Age – 48, Gender – Female, Occupation: Senior Sales Manager

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<tr>
<td><strong>Topic 1 – Leadership</strong></td>
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<tr>
<td>1. <strong>Is your company part of a larger group?</strong></td>
<td>The company is privately owned.</td>
<td>The owner has control of his business as he owns it.</td>
</tr>
<tr>
<td>2. <strong>What is the company structure and hierarchy?</strong></td>
<td>See Figure. 4.1 for more detail. Lucy explained the organisational structure. Another member of staff has been added to the merchandising team and to the QA team. However, two sales staff were removed (one used to double up as QA).</td>
<td>Sales may be slow or enough accounts to service hence two members of staff have been removed. However adding QA and merchandising may indicate that customers are getting more demanding in terms of quality, packaging and shipping.</td>
</tr>
<tr>
<td>3. <strong>Do you have investors that are not involved in the day-to-day running of the business?</strong></td>
<td>Sole owner.</td>
<td>It may be easier to steer the business in a particular direction with having no one to consult: sole owner.</td>
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The sales team was reduced but the merchandising and QA team were increased. This could indicate that sales were slow/poor or that the business reached full capacity with existing customers and did not need new accounts. The hiring of a merchandiser and a QA demonstrates that their existing customers are probably exacting in terms of quality, labelling and packaging.

The business had three directors, one was director of three businesses while the other two were sole directors of Company B. According to Lucy, the director heading the operations was Fraser, therefore it is possible that the other two were investors who acted as mentors in the business.
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<td><strong>Topic 2 – People</strong></td>
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<tr>
<td>1. What is your staff turnover?</td>
<td>Low turnover of staff (staff leave if obliged to due to unforeseeable circumstances).</td>
<td>The working environment must be a happy one; maybe the recession affected the business badly.</td>
</tr>
<tr>
<td>2. Do members of staff receive regular appraisals?</td>
<td>Despite the company manual stating annual appraisals will take place, it is not always the case. As it is a small, privately owned business, the owner gets away with it.</td>
<td>The owner is not systematic with appraisals and may view these as a low priority. This could be attributed to poor time management, lack of time or unwillingness to listen to employees. The owner may think his staff can come and speak to him whenever the need arises rather than wait for an annual appraisal.</td>
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<tr>
<td>3. Are members of staff given targets?</td>
<td>Yes, the account managers.</td>
<td>Unsurprisingly the sales function is target driven.</td>
</tr>
<tr>
<td>4. Are members of staff rewarded for achieving targets?</td>
<td>Bonuses are awarded if funds are available. The owner tries to be fair by not only rewarding high sales volume but also looks at the work involved in running the account. For example, an account manager may have five accounts each turning over £150k whilst another account manager may have one account turning over £1m. The amount of work for the one with five accounts is greater than the one with one account. Therefore, the owner may choose to reward both account managers equally. Phil (the owner) is generous and tries to give gifts to those who perform well: cash bonus at Christmas and expensive pampering treats.</td>
<td>Phil likes to reward those who work hard with cash at Christmas and expensive treats. Account managers will get bonuses only when funds are available: there is no fixed structure to rewards, which may lead to resentment. If staff have worked hard to bring in sales and are told that there is not spare cash for their bonus, it may lead to resentment amongst individuals and against the owner.</td>
</tr>
<tr>
<td>5. Are salaries reviewed on an annual basis?</td>
<td>Yes.</td>
<td>A succinct response. One wonders if salaries go up with inflation or if they go up when cash is available as with the bonuses. The interviewee at that point raised her eyes to the ceiling and smiled thus indicating that it may be a &quot;tick in the box&quot; rather than an actual increase in salary.</td>
</tr>
<tr>
<td>6. Do you carry out team building activities?</td>
<td>Not as such, but social outings are organised by staff.</td>
<td>It seems that teams of people organise their own night out. The size of the business means that members of staff probably get to know each other well and build friendships during working hours.</td>
</tr>
<tr>
<td>7. Do the members of staff receive training?</td>
<td>Not really: training happens on the job.</td>
<td>People are thrown in at the deep end. If they do not pick up the systems quickly enough or do not fit in the team they may find themselves alienated fairly rapidly.</td>
</tr>
<tr>
<td>8. Are the members of staff given the opportunity to express ideas and opinions?</td>
<td>Monthly meetings take place mainly with account managers. Other members of staff can go and see the owner on an informal basis or they can go and see their own managers directly.</td>
<td>Phil does not have a formal forum for his staff to come and see him. He operates an open door policy or leaves staff to go and speak to their managers. He seems more interested in sales and holds monthly meetings for updates.</td>
</tr>
</tbody>
</table>
Company B had a low staff turnover and no regular appraisals were carried out. Sales staff were target driven and received bonuses if the business could afford it. Furthermore, Fraser did not solely reward the sales team based on sales volume/targets, he also considered the number of accounts managed. When there were spare funds, Phil was generous with those he valued. He gave cash bonuses at Christmas and expensive gifts at other times to reward his workforce. Salaries were reviewed annually; however, Lucy did not offer any information in terms of the structure of the review. This suggests that salary reviews were ad-hoc.

Newcomers were not trained as they were expected to learn on the job. Their abilities to fit in the team and do the job was most probably assessed on a daily basis until staff were deemed suitable for the position. Apart from the Christmas party, staff organised their own social events suggesting that there is camaraderie in the office. Phil operated an open-door policy and was happy to speak to staff personally or for them to contact their line manager.
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<th>Questions/Topic</th>
<th>Note-taker notes</th>
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<tbody>
<tr>
<td>1. How is the company strategy decided?</td>
<td>By the owner/MD.</td>
<td>Having one person making all the decisions can be positive in that the focus remains strong. However, it could expose the business to costly mistakes if the wrong decision is made.</td>
</tr>
<tr>
<td>2. Who makes strategic decisions?</td>
<td>The overall strategy for the business is decided by the MD. However, decisions regarding specific accounts are made in collaboration with the account manager. The account managers report what they see and hear on their account to the MD. He then revises the sales strategy and forecasts accordingly. It is a two-way process.</td>
<td>Without the account managers the MD would not know what is happening with key accounts therefore, he relies on their collaboration. The strategy seems to be very much driven by sales achievements.</td>
</tr>
<tr>
<td>3. Does the company prepare its strategy in view of recent or past events?</td>
<td>It learns from past examples. For example, with the in-house brand, the strategy has been revised to focus on reduction of stock levels. The capital needed to inject in the brand is not available at present as money is tied up in the stock. The company keeps abreast of current affairs: mergers, acquisitions and insolvencies as it can have a big impact on the business strategy.</td>
<td>The company is at the mercy of customers and revises its strategy according to the UK retail developments. It is alarming that cash flow is affected by high stock levels with the in-house brand.</td>
</tr>
<tr>
<td>4. How are policies, plans, objectives and processes developed in order to deliver the strategy?</td>
<td>Regular reviews in terms of sales figure and market conditions such as labour cost in China.</td>
<td>As well as closely monitoring sales, the company monitors market fluctuations as they will affect the way the business operates. For example labour cost increase in China will affect the price of garments which will oblige Company B to source other countries of manufacture. Therefore, strategy, policies and planning are linked to market fluctuations.</td>
</tr>
<tr>
<td>5. How is strategy communicated to the rest of the staff?</td>
<td>Account managers will either be invited to face-to-face meetings or will be informed of changes via email. If a situation that will affect a function of the business occurs, the MD will invite those concerned to meetings and explain the consequences it could have on their role.</td>
<td>The strategy is communicated on an ad-hoc basis and staff will be told how specific scenarios may affect their job.</td>
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Lucy mentioned that “sole ownership” was positive because she believed that one person making all the decision kept the business focused. This shows that the other directors were not overly involved in the day-to-day running of the business.

Phil relied on his sales staff/account managers for information on their customers to trickle down to him as they acted as his ears and eyes. The strategy was very flexible as it was driven by sales, markets demands, customers’ decisions and current affairs. For example, Lucy mentioned the importance of monitoring cotton price fluctuations and labour costs.
The strategy was communicated on an ad-hoc basis. If employees were affected by new developments, this was communicated to those concerned in a face-to-face meeting. It transpired that cash flow was affected by high stock levels on the in-house brand ranges.
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<th>Question/Topic</th>
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<tbody>
<tr>
<td>1. Do you sell your products outside the UK?</td>
<td>Yes.</td>
<td>The business exports clothing overseas.</td>
</tr>
<tr>
<td>2. If so, do you sell to Europe or any other destination?</td>
<td>Mainly Europe.</td>
<td>Focuses on markets closer to home in terms of sales; maybe easier to manage strategy.</td>
</tr>
<tr>
<td>3. Do you employ your own UK sales force to sell to these markets?</td>
<td>No but retailers do.</td>
<td>They have no direct operations in Europe. They supply UK retailers who have a presence in Europe.</td>
</tr>
<tr>
<td>4. If so, are there any specific qualities that you deem essential to fulfilling the position?</td>
<td>n/a</td>
<td>This question does not apply as they have no agents or distributors.</td>
</tr>
<tr>
<td>5. Outside your UK customers, do you have a dedicated team following the European or other markets' orders?</td>
<td>No, teams look after specific customers not countries. Some of these customers distribute in Europe.</td>
<td>The company is once removed from the EU market however sales volume will be a good indicator of the performance of specific retailers in these markets.</td>
</tr>
<tr>
<td>6. What training do you offer to your staff to ensure that they understand the requirements of dealing with third parties in a foreign country?</td>
<td>n/a</td>
<td>The retailers will be dealing with this issue however from the response gained from question 7 in Topic 2 one may be able to conclude that staff would not be trained but would have to learn on the job.</td>
</tr>
<tr>
<td>7. Who are your main customers both in the UK and in Europe?</td>
<td>Same customers in UK and Europe. We supply UK retailers who have a presence in Europe; either physical stores or online via transactional websites. A list of customers is available in full interview transcript in Appendix 4.</td>
<td>This is an interesting way for the business to test the market by monitoring their customers' progress. When the economy shows signs of recovery, they decide to apply some of this knowledge on their in-house brand.</td>
</tr>
<tr>
<td>8. How long have you been trading in Europe?</td>
<td>Their customers have been in Europe for eight years.</td>
<td>The experience is invaluable to Company B.</td>
</tr>
<tr>
<td>9. Do you attend or have a stand at trade fairs?</td>
<td>Yes for the in-house brand.</td>
<td>In order to maintain and perhaps raise the profile of the in-house brand, the company strategy is to have a presence at a specialist trade fair.</td>
</tr>
<tr>
<td>10. Can you specify which fair?</td>
<td>Bubble in London.</td>
<td>An expensive overhead that will enable the business to perhaps get rid of unwanted stock and expand their customer base.</td>
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</table>
11. What are the key benefits of trade fairs to your business?  
It is expensive but a good way to meet existing customers who are mainly boutique owners and acquaint with new contacts. Trying to get rid of stock and is trying to sell unwanted stock on bidding sites such as Zulily (similar to Achica and Cocosa); limited sales time and increases the brand exposure. 

The business is aware of the advantages of trade fairs as a mean to meet with existing customers who are mainly boutique owners. This reduces time and expense as it would take to visit everyone individually. Trade fairs are an excellent platform for networking. They are creative in their approach to solving high stock problems. They use bidding websites because they give instant feedback on sales due to the limited sales window and expose the brand to new, potential customers.

12. Do you retail in all the following countries: France, Germany, Italy and the Benelux?  
The customers retail mainly in Germany, France and Sweden. 

A limited presence within Europe for the retailers they supply. However, with transactional websites the net is cast wider. The three country mentioned probably indicate that the retailers have standalone stores there.

13. Do you use intermediaries such as agents and distributors?  
n/a. We need to spend money developing business for the in-house brand when the time is right. At the moment, we are focusing on the UK with this brand. 

The in-house brand clearly has potential however high stock levels and the current economic climate mean that the business cannot consider risking adding to the overheads by going outside the UK.

14. If so, can you tell us about the recruitment process?  
n/a. We would need agents/distributors. 

Can see the potential for the brand but is limited for reasons previously discussed.

15. What are the main queries made by your intermediaries?  
Not intermediaries as such, customers. Main queries are on packing and shipping especially for European orders: quantities are small and bitty. 

The customers who distribute to Europe make specific requests for each country despite small order size. The same amount of work is required on 100 pieces as for 10,000 pieces therefore it will be costly for the business to supply small quantities to different locations. However, Company B has no choice: if it refuses small orders, it would most probably result in losing the account. This may explain why more QA and merchandisers have been recruited.

16. How often do you have face-to-face meetings with your intermediaries?  
As often as the customer wishes. 

The customer can call meetings whenever they wish and the company will accommodate. This indicates that they are flexible and keen to provide excellent customer service.

17. Where do these meetings take place?  
In the UK normally. 

Expenditure is kept low because employees travel mainly to the UK to visit customers.

18. Any specific reason for this choice?  
To make life easy for buyers. 

Flexible and keen to please customers.

19. What are the key points of discussion during these meetings?  
Sales or QA related issues. It depends. The business is very flexible. 

They are willing to visit customers to discuss a range of issues and again demonstrate that they are flexible in the way they approach customer service.
| 20. Are your intermediaries selling your products online? If so, in which country? | Yes and hard to define because it is online. | Not able to confirm the breakdown of quantities per country due to online orders. Retailers will have the data and be able to analyse orders per size/colour ratio in each country thus enabling the buying strategy to be put in place. |
| 21. Do you impose a recommended retail price to ensure parity across the markets? | n/a | This question does not apply to the business as it will be up to the retailer to establish the pricing structure. |

Company B sold products in the EU for eight years but not through intermediaries. They were not in direct contact with the market because they supplied retailers directly. Their customers were, for the most part, multi-channel retailers. Their main customers were Boden, Cath Kidston and Crew Clothing. Company B relationship with its customers was long-standing and resulted in operations expanding in Europe.

According to Lucy, the management of the supply chain was a merchandising and logistics challenge. This is because it required adapted packaging, garment labelling, carton markings and deliveries to national satellite warehouses. The packing and shipping requirements for EU orders were complicated particularly since the order sizes were smaller than the UK ones. However, the company could not turn the business down, as it would have affected the UK business. One of the advantages was that Company B did not need to deal with multiple intermediaries requests to carry out business outside of the UK.

Company B developed an in-house childrenswear and babywear brand, sold via a transactional website and at trade fairs such as Bubble in London. Despite the overheads incurred in exhibiting at trade fairs, it was a worthwhile selling strategy because small independent boutique owners attended and placed orders. This saved the account manager travelling to many, small, independent boutiques. According to Lucy, the sales manager of the in-house brand, who worked alone, had an arduous task. This is because all samples needed to be photographed for the website who had to be updated frequently. The products had to be dispatched to individual buyers or small boutiques and the customers/trade fairs had to be
visited. Lucy mentioned that for now, the brand was distributed in the UK but that there was an aspiration to expand overseas via intermediaries in the future. Despite all the sales executive efforts, and as mentioned in the Strategy section, the business carried too much stock, which affected cash flow. To remedy this problem, goods were sold via third party discounting websites such as Zulily.

Having examined the financial status of the business, in 2010 and 2011, the Current Ratio highlights that the company was not liquid enough and had potential cash flow problems. The Quick Ratio for 2010 was close to the level that it should be, although a little too low. In 2011, it was noticeably too low suggesting that in these years, and in 2011 in particular, the company was carrying too much stock. This concurs with the interview findings in that the product range for the in-house brand lead to a surplus of stock. The company decided at that point to focus on reduction of stock levels. A detailed examination at the level of current assets showed that, in 2013 and 2014, there were huge reductions in stock, and this would account for the change in the Quick Ratio. This indicates that Company B’s strategy to reduce stock levels by driving sales had been successful. However, it raises the question about whether the company was carrying sufficient stock to meet the needs of its customers. It was also noticeable that in 2014 and 2015 cash and debtors doubled, suggesting improved sales. Company B supplied the higher end of the high street, both UK and overseas and higher end online companies, such as Boden. This means that they would be able to sell their products for a comparatively high price, which would improve cash flow. Evidently, Company B learned valuable lessons from the overstocking of the in-house brand but managed to sell the stock thus improving cash flow.
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<tr>
<td><strong>Topic 5 – Processes, Products &amp; Services</strong></td>
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<tr>
<td>1. Do you specialise in a specific area of the market (for example accessories, womenswear, etc.)?</td>
<td>80% childrenswear.</td>
<td>The business specialises in childrenswear; as it is less driven by fast fashion. It may therefore be easier to get rid of unwanted stock for in-house brand.</td>
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<tr>
<td>2. Do you find that you need to adapt your product in order to sell outside the UK?</td>
<td>Products are not adapted; it is the packaging and labelling requirements that are. To remain competitive, the business is sourcing factories from further afield. Merchandisers are spending a lot of time communicating with suppliers to relate information and explain things in detail to reduce the risk of expensive mistakes.</td>
<td>No need for product adaptation however, packaging and labelling are tailored to each country. This will be an expensive process that would justify employing an additional merchandiser. The business is agile in that to keep competitive, it is sourcing from further afield. However, this will create additional problems possibly linked to language barriers and culture. As a result, staff have to spend considerable amounts of time detailing the orders to avoid mistakes that would result in fines.</td>
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<tr>
<td>3. What are the sampling requirements?</td>
<td>Sampling requirements have not changed since I worked in industry: customers want them to look like production samples. This is particularly important for retailers with transactional websites where photographs sell products. Some customers such as Boden require approximately 300 samples each season. Company B does not have a sampling facility therefore it falls to the factory to produce excellent standards: it is time consuming and very costly.</td>
<td>It seems that sampling problems are endemic in the clothing industry. Businesses are trying various scenarios. No orders will be placed if sales samples are unlike production samples. Therefore, the need to source factories that are capable of producing good quality samples is imperative. The other option is to set up a sampling facility however it would be financially unsustainable in the UK and difficult to control from overseas.</td>
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<td>4. How flexible are you with regards to adapting to market demands and change?</td>
<td>Very flexible because the company is small as is the staff force. It is important to adapt to the market demands to remain competitive. Company B has good relationships with the factories who act as informants. The problem is the management of small orders for Europe: the paperwork has increased and the distribution gets more complicated over time.</td>
<td>The company is flexible and can afford to be so due to its size. Company B is aware that they have to be so in order to adapt to market demands and remain competitive. They are struggling to comply with the packaging, shipping and paperwork relating to the small European orders. However, They probably have no choice to fulfil these orders or else risk losing accounts.</td>
</tr>
<tr>
<td>5. Have your turnover and profitability increased over the past 12 months?</td>
<td>The company has done well to survive: a positive thing given the current economic climate. This can be attributed mainly to shrewd management. Sad to see retailers going bust: one in particular owned the business money to Company B.</td>
<td>The business is managed shrewdly by the owner. Though no comments were made regarding profitability, it was highlighted how lucky the business was to still be trading particularly when so many are not. The danger for suppliers such as Company B is that they are vulnerable because the market is volatile.</td>
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<td><strong>6. If so, can you attribute it to anything in particular?</strong></td>
<td>n/a</td>
<td></td>
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<tr>
<td><strong>7. Have you had to change your strategy with regards to European exports over the last 12 months?</strong></td>
<td>Organic growth can be attributed to Company B customers’ successful websites. For example, Boden is doing very well in Germany and the USA. The USA represents 30 to 40% of the business's growth. Orders are shipped to Boden's distribution warehouses in the USA. The Boden UK business is not consistent. Boden's orders for Germany are shipped to the UK then sent to Germany. Their success can be attributed to their hard work on the transactional website. This response underlines the extent to which the business’s fate is linked to that of their customers. Boden does well mean Company B does well. Company B is accommodating and flexible in terms of shipment of the goods. They are aware of the resources Boden had to invest to manage the brand and the website.</td>
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<td><strong>8. If so, can you expand on it?</strong></td>
<td>Customers are indicating that Europe is becoming more and more important due to online sales. The business is aware of the growth in Europe which is facilitated by their customers’ transactional websites. This may pave the way for the in-house brand when the time is right.</td>
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<td><strong>9. Are you planning to withdraw from some of the countries previously discussed? If so, why?</strong></td>
<td>This is out of Company B control as customers make these decisions. Nevertheless, the cognoscenti reckon that Europe is doing well. By keeping close to customers and discussing performance, Company B may be able to adjust its in-house brand distribution strategy for the medium and long term.</td>
<td></td>
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<tr>
<td><strong>10. Do you use any other distribution methods? If so, can you tell us more?</strong></td>
<td>The in-house brand is distributed via a transactional website and through retailers who also have transactional websites and/or shops. Company B does not distribute directly but is in contacts with European warehouses who deal with orders on behalf of retailers. Buying is centralised however, distribution is not. By keeping abreast of developments, Company B is able to be agile in responding to customers. The company's designers will need to absorb European trends in order to produce appealing collections. If the account manager gains the trust of the buyer and acts as a sounding board, the account size will increase.</td>
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<td><strong>11. Do you sell online?</strong></td>
<td>Yes for the in-house brand and the customers. For the in-house brand, overseas customers call the office to ask for help because they are having problems ordering due to the website being a UK one. The transactional website needs updating because overseas customers find it difficult to operate. This will be time-consuming and may result in poor online reviews from frustrated customers. There is potential for the in-house brand’s expansion however, the business is too busy keeping up with the demands of larger accounts.</td>
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<tr>
<td><strong>12. Do you have a website?</strong></td>
<td>Yes, the in-house brand is transactional and has had the same interface since its conception. Lack of time and resources prevent Company B from developing its in-house brand to its full potential.</td>
<td></td>
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<tr>
<td><strong>13. How regularly is it updated?</strong></td>
<td>Most day to reflect stock levels. The sales person does everything: photos, stock management, trade fairs and chasing customers for outstanding payments. This is time-consuming as the orders come from many small independent boutiques. The sales person must be stretched out as she does not appear to have an assistant and is expected to do everything relating to her accounts. The most important task will be to take appealing photographs and keep a close eye on the stock levels to avoid disappointing customers.</td>
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<td>Question</td>
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<td>Notes</td>
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<tr>
<td>14. How important is the website to maintain the company’s image?</td>
<td>n/a.</td>
<td>Somehow, the brand does not seem to be associated with Company B despite being an in-house brand.</td>
</tr>
<tr>
<td>15. Who updates your website?</td>
<td>See question 13</td>
<td>As question 13.</td>
</tr>
<tr>
<td>16. Are your garments made-to-order and therefore retail under your customers’ own brand name?</td>
<td>Yes but for Company B. also does with its in-house brand. Customers go to Company B for design and manufacture of clothing.</td>
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<tr>
<td>17. Can you give some examples?</td>
<td>Examples discussed in question 7 in the full transcript available in Appendix 4.</td>
<td></td>
</tr>
<tr>
<td>18. To who are the majority of your products sold to in the countries mentioned (supermarkets, retailers, concessionaries, etc.)?</td>
<td>It varies. Crew for example sell in shops, online and mail order. Boden via mail drop, online and catalogue. Company Bs’ customers are multi-channel retailers and this means that the business will have to be very flexible to adapt to each account demands.</td>
<td></td>
</tr>
<tr>
<td>19. Can you give a breakdown of the retailers in each country?</td>
<td>Difficult because of the online sales.</td>
<td>It is difficult for Company B to quantify order breakdowns due to their customers being multi-channel retailers. Therefore, it is vital for the account manager to maintain a good relationship with buyers so that beneficial exchange take place.</td>
</tr>
<tr>
<td>20. Do you sell your own brands to these retailers?</td>
<td>n/a</td>
<td>Retailers business is made-to-order.</td>
</tr>
<tr>
<td>21. Do you possess a licence to distribute a brand (such as Disney)? If so, which one/s?</td>
<td>No but Company B produces for Disney London. Company B has not acquired any brands; instead, it has developed its own.</td>
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As previously seen, Company B did not specialise on in-house branded products. They developed and trialled their own in-house brand, which was managed by one person. This individual sold the childrenswear product range via independent small boutiques and through their transactional website. The website was not fully functioning in Europe, which created additional queries for the account manager. That person was responsible for selling, chasing outstanding payments and keeping the transactional website up-to-date. Though the company believed that Europe was an up-and-coming market due to online sales, it was decided that the focus should mainly be in the UK until the business was capable of managing a wider pool of markets.
Company B specialised in the manufacture and supply of childrenswear and was performing relatively well in times of hardship due to shrewd management. The business mainly traded overseas indirectly due to UK retailers increasing trade there.

The main issues experienced arose from the in-house brand due to large amounts of unsold stock that caused cash flow problems. Lucy explained that the orders in Europe were growing thanks to their customer’s transactional websites. The European orders were bitty: they required different packaging and labelling, different carton marking and shipping destinations. Additionally, the amount of paperwork necessitated for each order was greater every season, increasing the staff workload.

To remain competitive, the business needed to source factories from further afield that were less accustomed to dealing with foreign customers, which created additional problems. Interestingly, Lucy mentioned that since working in the clothing industry, sampling has been an issue. She stated that Company B found it difficult to obtain sales samples that resembled production samples.
4.4 Company C

The groups’ headquarter is located in Barnsley, South Yorkshire and has three divisions. One division, Company C, is the focus of the case study research. It has three directors and is split between two shareholders. The business is small-sized as it employs 14 people full-time and two placement students. It became a wholly owned subsidiary of the larger group AHI in 2011.

Figure 4.2 Company C: Operational Structure

Source: compiled by the researcher

4.4.1 Company Background

In 2005, the group moved the bulk of its operations to China (Panyu – Guangzhou province) to reduce staff overheads and increase efficiency. Historically Company C employed 10 merchandisers and eight garment technologists in the UK. Currently, the UK office employs one senior garment technologist and her assistant and no merchandisers (see Figure 4.2). The shift of the operations to China means that senior merchandisers who earned £20k p.a. in the UK could be sourced in China for £7k p.a. This cost saving strategy gave the business a rationale for moving many of its operations overseas.

Over a period of 21 years, the business has seen 20 directors come and go and, like Company A, the business is managed by entrepreneurs who have interests in many other businesses. Until 2008, they were three directors in Company C;
the business was struggling with cash flow due to their biggest account Woolworth going into receivership owing the business large sums of money. According to the interview participant Steph, Company C was rescued in 2011 through the acquisition by the USA party giant. AHI wanted to grow its operations into dress-up and was impressed by Company C China set up. AHI liked how the group had two divisions in the UK: one doing dress-up and the other garments (mainly jackets) and accessories (mainly hats and gloves). AHI also acquired German balloon manufacturer who employs over 600 people and has operations in Germany, Poland, Malaysia, Hong Kong and the UK. Founded in the USA in 1947, AHI manufactures and distributes more than 40,000 party goods to over 40,000 retailers worldwide and clearly views mergers and acquisitions as a strategy for growth.

The acquisition of the group lead to a company restructure, resulting in one director staying in the post and the other two stepping down (one left and the other remained on the payroll). One of the remaining directors lives in China full time and heads the operations there. The second one left to pursue other business interests, notably setting up a venture in smoothies (he is CEO of five other companies). The third one has been redeployed from sales director of the dress-up division (his position is now occupied by Steph) to “new ventures advisor”. He is fully occupied with the UK party side of the business and IDU (Independent Dress-Up) business such as Smithy’s in the UK as well as IDU in Europe. Steph oversees sales to the retailers with multiple outlets and only offers FOB shipping terms. This means that no stock is held and that all designs are bespoke. Steph answers to the director in China whereas Simon answers to the USA head office.

Simon sells the Party C ranges to European markets; AHI’s warehousing and distribution facilities within Europe make this possible. AHI is a multi-channel retailer who sells products in Europe via a transactional website and through a network of distributors. Figures 4.3 and 4.4 illustrate the structure of the group past and present.
The new structure is more complicated in terms of its operations but is more effective in terms of staff deployment.
Company C survived in the tough economic climate by having a long-term strategy which required moving as much of the operations to China whilst keeping the design and sales functions in the UK. As a result, many of the valued UK staff were offered relocation packages to China, however others were made redundant. This strategic move paid off and has been the redeeming feature of the business.

Historically Company C held the Disney dress-up licence, together with other prestigious brands. At the time of the interviews, Disney licensors decided that the brand would be distributed directly to the large retailer groups. This move resulted in Company C, who acted as suppliers, losing the Disney licence for dress-up. Consequently, Disney increased their margins or were able to offer prices that were more competitive to large retail groups such as Tesco. This empowered Tesco because it could then choose who would manufacture the Disney dress-up ranges. Company C was able to tender for the business in the same way as other suppliers. In America, Party C holds the Disney licence for everything concerned with party supplies. In the past, the Disney dress-up licence generated a large portion of the European sales for Company C. The brand opened many doors; however, this is no longer the case.

AHI designed, manufactured and distributed party goods in its retail stores in America and worldwide through its website and intermediaries. AHI's worldwide locations included their corporate headquarters in Elmsford, NY as well as locations throughout Asia, Europe, the Americas and Australia. AHI operated seven state of the art distribution centres throughout the world and six manufacturing facilities domestically. At the time of writing this thesis, Company C website was obsolete as it had been incorporated into AHI's own.
### 4.4.2 Interview Coded Responses

**Descriptive coding**: Name – Steph, Age – 43, Gender – Female, Occupation: Sales Director in the UK

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<tr>
<td><strong>Topic 1 – Leadership</strong></td>
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<tr>
<td>1. Is your company part of a larger group?</td>
<td>Company C was a privately owned limited company until it was sold to a much larger corporation in the USA known as AHI who owns Party C. Company C has retained its name.</td>
<td>The business is known in the UK under Company C; changing it may affect sales. Company C plays on its heritage and the name is known and respected.</td>
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<tr>
<td>2. What is the company structure and hierarchy?</td>
<td>Steph has taken her boss’s position as sales director and he has moved into a new role to be director of new ventures on the European party side. HK is now the head office with the UK as its hub. The design function is also carried out in China meaning the UK designers only need to travel once per year as opposed to five times historically. Each UK designer has an equivalent in the China office. The UK office had 10 merchandisers and eight garment technologists. This is no longer the case but resulted in huge savings in staff overheads. All fabric testing is carried out in China and represents the largest component of the garment cost. In 2005, Company C moved the bulk of its operations to China in a bid to stay ahead and remain competitive. Steph is thriving under the new American management style. Visionary entrepreneurs managed the business. Ahead of everyone else, they moved most of the operations to China to remain competitive. This enabled the business to gain a competitive advantage whilst reducing UK overheads. Simon used to run the UK Barnsley office as its sales director and was an energetic and loyal leader. However, he is now struggling under the new management because he is a maverick and a straight talker. These characteristics do not appear not to be appreciated by his new bosses.</td>
<td></td>
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<tr>
<td>3. Do you have investors that are not involved in the day-to-day running of the business?</td>
<td>Yes the new company is involved in the day-to-day running of the business. Steph appears to enjoy the new structure where there is daily contact with the USA. She seems to have welcomed the change as it benefited her.</td>
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Company C had three directors. One was director of four businesses, the other also of four businesses and the third one of nine businesses. It is interesting to note that one director was also a director of AHI in 2008 and then became director of all of the group in 2010, the year before the acquisition by AHI. This is indicative of the fact that Company C strategy was to prepare for this transitional period by appointing this person ahead of AHI’s acquisition.

Clearly, Steph (who agreed to participate in the interview) has benefited from AHI buying out the business. She has been promoted to sales director, her old mentor’s role who has now been given the “new ventures advisor” role. According to Steph, this is a demotion and is attributable to the American directors not liking...
Simon’s management style. The author worked under this very frank and dynamic personality who took the business forward. Therefore this news came as a bit of a surprise but may be justified because he had a “barrow boy” attitude that might not have suited the American leadership style.
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<tr>
<td>1. What is your staff turnover?</td>
<td>Since the acquisition, there is low staff turnover. Employees are loyal and no one took a day off sick last year. The company operate flexi-time to accommodate working mums’ schedules. The company wants to be supportive of valued members of staff and allows the trusted ones to work from home part-time.</td>
<td>The company wants to retain its valued staff. The product type is specialised; a designer leaving could mean going straight to one of the two of Company C competitors hence they work hard to support the workforce. Fewer privileges are granted to those who are not seen to work hard.</td>
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<tr>
<td>2. Do members of staff receive regular appraisals?</td>
<td>Every 12 months. Steph was offered a life coach during her appraisal so that she could achieve a better work-life balance and be more empathic to the people working with her. They advised her to get a dog so that she would spend more time away from business activities. The company wants to keep her fit and healthy as they have big plans for her future.</td>
<td>The business approach is nurturing to those who are valued: flexi-time for working mums and life coach for Steph. Steph is clearly a valued member of the team and looking forward to the big plans. It appears that the approach to staff management is corporate rather than entrepreneurial.</td>
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<tr>
<td>3. Are members of staff given targets?</td>
<td>Yes for sales.</td>
<td>The sales/account managers are given targets to achieve.</td>
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<tr>
<td>4. Are members of staff rewarded for achieving targets?</td>
<td>There are plans to give rewards going forward but things have been too tough until now. AHI works on commission but Company C works as a team and strives to hit targets as a team. It is not about the individuals’ achievement.</td>
<td>Though sales staffs are target driven, Company C encourages team spirit. The achievement of targets is celebrate as a team. This must act as a motivational factor as no one took a day off sick last year. Maybe the team were given this as a target and incentivised if they had no unauthorised time off.</td>
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<td>5. Are salaries reviewed on an annual basis?</td>
<td>Not at the moment. To keep competitive it has not been possible. AHI only increases salaries if someone does something exceptional such as bringing a new large account.</td>
<td>No salaries reviewed for those who are not doing anything outside of their contracted duties. Only those who bring big business get rewarded. One senses that the economic downturn is used as an excuse to keep people feeling grateful for having a job so that they are not bothered about a pay rise.</td>
</tr>
<tr>
<td>6. Do you carry out team building activities?</td>
<td>Aside from the traditional Christmas do and the odd meal out, there is no team building activities. The exception is a netball match involving the two divisions who play against each other.</td>
<td>The team must be close and have built a friendship over time if they go for a meal out together. The divisional netball match is a one-off but nevertheless a move towards a more corporate strategy where healthy competition is encouraged.</td>
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<tr>
<td>7. Do the members of staff receive training?</td>
<td>Newcomers learn by being thrown in at the deep end and then it is a question of &quot;sink or swim&quot;. Employees operate as a team therefore would make an effort to help newcomers but they have to show willing as well as an ability to do the job.</td>
<td>The lack of training could indicate that the business has not yet fully adopted the owner’s strategies. The team sounds very close knit, as they appear to watch newcomers and decide, pending upon their abilities, if they deserved to be helped or left to sink.</td>
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<tr>
<td>8. Are the members of staff given the opportunity to express ideas and opinions?</td>
<td>Yes, off course we are opened to new ideas. HR who then advises Steph on a course of action deals with any personal issues.</td>
<td>The company appears to do most things &quot;by the book&quot; as is expected of a large corporation. As such, employees have to go through a specific process with HR if they have a personal problem. HR will then speak to Steph about an action plan. This will inevitably reduce the &quot;human touch in the office&quot;.</td>
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Employees were loyal and no one took a day off sick last year. The business identified that Steph’s work-life balance needed to be addressed and as such hired a life coach. Steph seemed different during the interview; she seemed to empathise with her staff and more willing to discuss her private life. This was not witnessed when the researcher worked under her leadership.

Overall, the business was flexible with staff and was aware that because it employed mainly women, it needed to accommodate personal needs to retain valued members of the team. To accommodate working mums, it offered flexi-time and the possibility to work from home part-time because the majority of employees had long commutes to work due to the isolated location of the business. These privileges were granted to those who worked hard and were seen as successful by the business. Salaries were not reviewed as the business could not afford to give pay increases as it needed to focus on maintaining a competitive advantage. The business was opened to staff suggesting new ideas however, personnel issues had to go through HR in the USA head office who then related an action plan back to Steph.

Steph was a driving force in the business and it became clear during the interview that ensured that her team received “lifestyle” and intrinsic rewards. Goals were set by Steph who was target driven and praised her staff when they were met. Her competitive nature, along with her passion and desire to be the best, transcended management’s expectations. This energy was witnessed by the author in 2005, however staff morale was often low because employees did not feel appreciated. Steph’s passion for work meant that her social life was limited and despite strong sales performance, her poor emotional intelligence led to problems with employees. Because of the coaching, Steph acquired a dog, which increased opportunities for socialising. This addressed the work-life balance issues. The benefits of life coaching were clear during the interview and pleased Steph because she felt valued by the directors.
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<tr>
<td><strong>1. How is the company strategy decided?</strong></td>
<td>First in the USA, then China, then the UK. Divisional directors oversee their own markets. Before the takeover, the MDs decided to move most of the operations to China and kept design and sales in the UK. Some of the staffs were made redundant, as it was cheaper to employ Chinese staff. This strategic move paid off particularly when Woolworth (the largest account) went bust owing the business large amounts of money and nearly bankrupting Company C. This, combined with the double dip recession, meant that the business was struggling and decided to look for a buyer. The banks reduced the business credit limit as they were now perceived as high risk.</td>
<td>The MDs saw the move to China as a mean to reduce overheads and increase profitability. The design and sales functions could not be replaced by the Chinese office as both require customer input. This ruthless, strategic move paid off and saved the business from going into receivership. The directors anticipated the worsening of the economy and had a flexible approach to their operation, which ended up costing people their job in the UK; a ruthless but necessary decision.</td>
</tr>
<tr>
<td><strong>2. Who makes strategic decisions?</strong></td>
<td>It used to be UK directors but now it is the head office in America then it filters down to UK directors.</td>
<td>After the buy-out, the structure of the business changed and decisions were out of the UK director’s control.</td>
</tr>
<tr>
<td><strong>3. Does the company prepare its strategy in view of recent or past events?</strong></td>
<td>They check historical figures in UK and EU accounts and revise sales accordingly. Customers are consulted too in order to evaluate the sales budget.</td>
<td>Interestingly the company consults with their customers to forecast sales figure. This indicates that the relationship between sales and buying is a good one suggesting a partnering approach.</td>
</tr>
<tr>
<td><strong>4. How are policies, plans, objectives and processes developed in order to deliver the strategy?</strong></td>
<td>Now by the USA. Once the UK has consulted with customers, it is fed back to the USA. Measuring past performance enables the company to forecast capacity for its factories in China. Capacity is then booked by the China office. Staffing levels can be adjusted to reflect future trends.</td>
<td>The USA office make decisions in consultation with the UK to forecast business activities for the year ahead. There appears to be no loyalty to staff in China; they are treated like a resource that can be disposed of and replenished at will. This reflects the ruthless attitude the business has adopted to survive.</td>
</tr>
<tr>
<td><strong>5. How is strategy communicated to the rest of the staff?</strong></td>
<td>Company C is part of a very large group and to that end the AHI HR office communicates with UK directors. They in turn disseminate information to their teams. There are monthly newsletters to keep staff informed on company developments. The company has become more corporate due to buyout. For example Facebook is banned at work.</td>
<td>The company has had to become more corporate: procedure implemented to communicate with staff, monthly newsletters to keep everyone informed of developments. The company is losing its personal touch and has banned Facebook presumably to minimise gossip and litigation.</td>
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Clearly, the acquisition had a significant impact on Company C, who became more corporate as a result. There were monthly newsletters and Facebook was banned at work. Strategies were decided at head office level in conjunction with the director in China. It then trickled down to UK directors who disseminated the information to their teams. Staff reductions took place in the UK, leading to an increased staff force in China. UK designers had an equivalent in China; a move that reduced travel expenditure. Designers used to go to China up to five times per year however since the acquisition they travelled to China once a year.
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<tr>
<td>1. Do you sell your products outside the UK?</td>
<td>Yes.</td>
<td>Yes</td>
</tr>
<tr>
<td>2. If so, do you sell to Europe or any other destination?</td>
<td>All over Europe and the USA.</td>
<td>This demonstrates that the company now operates in the international market place through USA.</td>
</tr>
<tr>
<td>3. Do you employ your own UK sales force to sell to these markets?</td>
<td>No. AHI has a foothold in every country and deals with it.</td>
<td>As discussed earlier, satellite distribution centres and AHI’s organisational strategy demonstrate that the business is global.</td>
</tr>
<tr>
<td>4. If so, are there any specific qualities that you deem essential to fulfilling the position?</td>
<td>n/a.</td>
<td>n/a.</td>
</tr>
<tr>
<td>5. Outside your UK customers, do you have a dedicated team following the European or other markets' orders?</td>
<td>No. European are processed directly by China.</td>
<td>No. Historically, the company employed the researcher as European account manager. The role consisted of managing teams of distributors and agents throughout Europe.</td>
</tr>
<tr>
<td>6. What training do you offer to your staff to ensure that they understand the requirements of dealing with third parties in a foreign country?</td>
<td>n/a.</td>
<td>When the researcher started with the company no training took place. Everything was learned on the job on a need to know basis.</td>
</tr>
<tr>
<td>7. Who are your main customers both in the UK and in Europe?</td>
<td>In UK multiples and in Europe Toys R Us and Eveil et Jeux.</td>
<td>The company has a foothold in most supermarkets and is therefore able to meet the testing and administrative demands made by these large companies. The EU accounts are followed by the China office.</td>
</tr>
<tr>
<td>8. How long have you been trading in Europe?</td>
<td>Since 2002.</td>
<td>The company is experienced in European countries as it has been trading there for over 10 years.</td>
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<tr>
<td>9. Do you attend or have a stand at trade fairs?</td>
<td>Yes.</td>
<td>Yes</td>
</tr>
<tr>
<td>10. Can you specify which fair?</td>
<td>Nuremberg Toy fair, Spring Fair (NEC), Toy Fair (Olympia) and HK toy fair.</td>
<td>Each fair is selected to appeal to different types of customers: Nuremberg is a European toy fair and will be useful to meet with customers on the party and dress-up side. The UK fairs will be attended to network and meet with independent customers and HK toy fair will be useful to meet the Far East and Middle Easter customers. With China standard of leaving constantly rising there is potentially an enormous market to be taped into. The company shows how agile and opportunistic it is.</td>
</tr>
<tr>
<td>11. What are the key benefits of trade fairs to your business?</td>
<td>Networking with independent customers.</td>
<td>Steph is mainly in the UK therefore her response is from a UK perspective. The two UK fairs facilitate meetings with independent UK customers.</td>
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<tr>
<td>12. Do you retail in all the following countries: France, Germany, Italy and the Benelux?</td>
<td>Yes, via our distributors.</td>
<td>The response is brief thus indicating that Steph is not fully informed of progress in the EU. She knows that the company works with intermediaries in the EU but is not specific. Her strong focus is on the UK market place.</td>
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<tr>
<td>13. Do you use intermediaries such as agents and distributors?</td>
<td>Yes, distributors.</td>
<td>As above.</td>
</tr>
<tr>
<td>14. If so, can you tell us about the recruitment process?</td>
<td>Steph refers to our past experiences of working with intermediaries and how we mostly met and tried people who came and visited our stand in Nuremberg. Steph states that now the process is to advertise in the USA trade press.</td>
<td>The company has a process to recruit intermediaries whereas in the past they were recruited based on their personality and how they would fit in with the business, their contacts and their promise of large business volumes. It was a process of trial and error.</td>
</tr>
<tr>
<td>15. What are the main queries made by your intermediaries?</td>
<td>Packaging. In the UK dress-up is packaged as a garment whereas in Europe it is a toy (delivered in a gift box). Steph refers to the difficulties we had packaging for European orders.</td>
<td>Steph discusses our past experiences of packaging dress-up for Europe. The difficulties related to translating the care labels, the swing tickets and the gift boxes. Additionally the presentation of products within the gift box was challenging as was communicating it to the China operations.</td>
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<tr>
<td>16. How often do you have face-to-face meetings with your intermediaries?</td>
<td>Once per year. All heads of divisions: Europe, Hong Kong (China), USA and UK. The EU operations are headed by the German office. The UK is standalone not part of the German management structure.</td>
<td>Meetings involving all divisions worldwide only happen once a year suggesting a very separate structure for each division supervised by the USA.</td>
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<tr>
<td>17. Where do these meetings take place?</td>
<td>It varies.</td>
<td>The business may choose to take it in turn however as the acquisition is fairly recent there is not pattern developing as yet.</td>
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<tr>
<td>18. Any specific reason for this choice?</td>
<td>n/a.</td>
<td>n/a.</td>
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<tr>
<td>Question</td>
<td>Answer</td>
<td>Additional Information</td>
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<tr>
<td>19. What are the key points of discussion during these meetings?</td>
<td>Each market analyses successes and failures. Account sizes are forecasted based on past sales, recent meetings with customers and current sales are reviewed. New opportunities/avenues are discussed.</td>
<td>There is pressure on divisional directors to present sales information and discuss future plans as well as past ones. New avenues for growth are shared to make sure that everyone is looking for opportunities. This strategy fosters competitive attitude within each division.</td>
</tr>
<tr>
<td>20. Are your intermediaries selling your products online? If so, in which country?</td>
<td>Yes via the company website.</td>
<td>AHI has removed Steph’s involvement with European orders. Company C website is no longer operational under its original name. Now customers have to go on the company website.</td>
</tr>
<tr>
<td>21. Do you impose a recommended retail price to ensure parity across the markets?</td>
<td>The other division on the party side does, however the dress-up division does not.</td>
<td>Prices will be negotiable pending upon volume and style ordered.</td>
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Company C has changed since the acquisition. The interviewed revealed that the business had operations in the USA, China, the EU and the UK. The head of each country met up on an annual basis to discuss performance and opportunities. Strategies derived from these global meetings as well as from regular meetings with customers. Steph pointed out that though the UK office was part of the EU offices, it operated as a standalone business. For this reason, most of her responses were from a UK perspective.

The business has for the past 10 years sold to EU countries however, the structure has changed. It involved using the existing, large network of AHI distributors. There was a RRP for the EU as goods were sold via AHI’s transactional website, however in the UK the dress-up business was negotiable as was MTO. EU orders were managed by the China office; the main issue they encountered related to packaging. In the EU, dress-up was perceived as a toy and was therefore sold in a box whereas in the UK it was delivered hanging. The other difficulty encountered related to translating, in many languages, care labels, swing tickets and information on boxes (Steph referred to our experiences of these issues). Another point made during the interview was that the Disney princess’s dresses had to be adapted for the European market. For example, sleeves lengthened. The company had stands at many trade fairs: Nuremberg Toy Fair (Germany), NEC Spring Fair (UK – Birmingham), Olympia Toy Fair (UK – London) and Hong Kong Toy Fair (China). Historically Company C was present
at the Nuremberg Toy Fair which facilitated meetings with old and potential distributors. The UK sales consisted of the multiple retailers: mostly supermarkets, Toys R Us and Eveil et Jeux.

Company C used to supply Woolworths and suffered greatly when it went into liquidation during the 2008-2009 recession. As a result, the business carried a huge amount of stock, which left no alternative other than selling it at a highly discounted price. The 2012 accounts included a comment that the company is not dependent on any single customer for a significant percentage of its turnover. Suggesting that the company learned from this event and changed its distribution strategy as a result of the AHI acquisition.

Company C identified maintaining margins as a major issue, recognising that it operated in a highly competitive market with regard to pricing, promotional activities and ‘rapidly changing customer preferences’ (see the Directors' Report for year-end 2012 in Appendix 5). The business tried to mitigate against low margins by supplying stock on a FOB basis ‘which avoided the requirement for holding stock and stock obsolescence due to changing customer preferences’ (see the Directors’ Report for year-end 2013 in Appendix 5). This note in the accounts concurs with the interview findings where it was highlighted that the business found it difficult to meet the varied requirements of overseas customers. It was also noticeable that in 2012 they factored their debts, which was a way of releasing cash and minimising the risk due to slow payments by debtors, ensuring a reasonable cash flow.

In 2011 and 2013 the company’s Current Ratio was above 2.5:1, suggesting that it had good cash flow, but that it was not using its funds in the most efficient way in these years. However, the Quick Ratio during that period was far too high suggesting that the company had very low stock levels. There may have been a deliberate strategy to supply FOB stock because of the issues experienced during Woolworths’ demise. The notes to the accounts (not available due to having to preserve the anonymity of the companies, but available on request) showed that UK sales were up by 50% in 2013 and 25% in 2014 however, they were slightly
down in Europe. Furthermore, the company stated in 2012 that it was developing new overseas markets and was leveraging its sourcing capabilities in the Far East (2012, 2). These findings coincided with AHI’s acquisition leading the directors to take action and tackle the known issue of rising costs. Additionally, and because of becoming part of an international business, Company C market presence increased leading to additional international revenues. The acquisition should strengthen their product position and improve their ability to acquire market share with retail partners.
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<tr>
<td><strong>1. Do you specialise in a specific area of the market (for example accessories, womenswear, etc.)?</strong></td>
<td>Childrenswear dress-up and recently adult dress-up. The other groups’ division does accessories.</td>
<td>The division specialises and has identified opportunities in adult dress-up.</td>
</tr>
<tr>
<td><strong>2. Do you find that you need to adapt your product in order to sell outside the UK?</strong></td>
<td>Yes AHI does for Europe where sleeves for Disney Princesses have had to be added on.</td>
<td>Flexible to market demands and has adapted products for Europe as well as packaging as discussed before.</td>
</tr>
<tr>
<td><strong>3. What are the sampling requirements?</strong></td>
<td>All samples are produced by the Panyu office in China: it had quadrupled in size in three years. Sampling is the company’s key strength and takes two to three weeks to produce which is faster than most retailers can achieve. The business has an unusual set up that enables it to respond to customer’s demands rapidly. One of the attractions for AHI buying the business was the sampling facilities.</td>
<td>Company C is flexible and identified a need for correct samples to be made as they knew competitors could not do this right. They took risk by setting operations in China. This paid off as it helped them find an acquirer who was impressed by the setup. Retailers cannot get samples within the time it takes Company C to produce, hence the business is doing well with the multiples.</td>
</tr>
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<td><strong>4. How flexible are you with regards to adapting to market demands and change?</strong></td>
<td>They are market savvy and look for innovations in manufacture (prints for example). They are flexible and can meet customers in any one of their duplicate offices in the UK, China or Europe.</td>
<td>The business is very flexible and innovative. It looks for ways to make the buyer’s life easy and is keen to show that they are experts in their field.</td>
</tr>
<tr>
<td><strong>5. Have your turnover and profitability increased over the past 12 months?</strong></td>
<td>Yes.</td>
<td>Having been bought out by a very large company means that cash flow will be less of a problem thus enabling the business to cast the net wider.</td>
</tr>
<tr>
<td><strong>6. If so, can you attribute it to anything in particular?</strong></td>
<td>Being bought out by a large company.</td>
<td>The acquisition has meant career progression for Steph and job security for her team. She feels reassured to be part of such a large business.</td>
</tr>
<tr>
<td><strong>7. Have you had to change your strategy with regards to European exports over the last 12 months?</strong></td>
<td>Yes.</td>
<td>A brief response evidencing the fact that Steph is not really involved with developments in Europe.</td>
</tr>
<tr>
<td><strong>8. If so, can you expand on it?</strong></td>
<td>Before Company C was stuck between Disney and the distributors/agents in Europe and had to try to keep everyone “happy”.</td>
<td>The business is no longer at the mercy of Disney's decisions nor does it have to please subsidiaries in Europe. AHI is already established in Europe and Company C is able to benefit.</td>
</tr>
<tr>
<td><strong>9. Are you planning to withdraw from some of the countries previously</strong></td>
<td>No.</td>
<td>Clearly Europe is profitable or else the company would not retain its presence there.</td>
</tr>
<tr>
<td>Question</td>
<td>Answer</td>
<td></td>
</tr>
<tr>
<td>-------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>10. Do you use any other distribution methods? If so, can you tell us more?</td>
<td>The AHI website is transactional. Online sales are facilitated by AHI's website. This could ultimately mean that subsidiaries play a lesser role in the company's international strategy.</td>
<td></td>
</tr>
<tr>
<td>11. Do you sell online?</td>
<td>As above.</td>
<td></td>
</tr>
<tr>
<td>12. Do you have a website?</td>
<td>Company C website is disabled and now part of the AHI's one.</td>
<td></td>
</tr>
<tr>
<td>13. How regularly is it updated?</td>
<td>All the time.</td>
<td></td>
</tr>
<tr>
<td>14. How important is the website to maintain the company's image?</td>
<td>It used to be very important and a considerable amount of money was spent on taking photos of the Disney princesses to promote the website and create brochures. Now Company C is part of AHI, it cannot be compared. Steph suggests that I check the website.</td>
<td></td>
</tr>
<tr>
<td>15. Who updates your website?</td>
<td>The division in the USA takes care of it, as it is a transactional site.</td>
<td></td>
</tr>
<tr>
<td>16. Are your garments made-to-order and therefore retail under your customers' own brand name?</td>
<td>Yes. Company C manufactures dress-up garments under their customer's brand name. The branded side seems to be under AHI's remit.</td>
<td></td>
</tr>
<tr>
<td>17. Can you give some examples?</td>
<td>The multiples have their own Disney dress-up licence now and therefore do not rely on the likes of Company C to produce the branded dress-up products. This leaves the non-branded business and Company C is competing against other companies for this business.</td>
<td></td>
</tr>
<tr>
<td>18. To who are the majority of your products sold to in the countries mentioned (supermarkets, retailers, concessionaries, etc.)?</td>
<td>In the UK mainly multiples (supermarkets) and toy suppliers such as Toys R Us. In Europe independent boutiques as well as Toys R Us and el Corte Ingles in Spain. The company sells to the big supermarket meaning large orders. As economies of scales will apply, it will be possible to offer keen prices. The continent still has many small independent boutiques, which will probably form the bulk of the business. This will be difficult to administrate considering there are</td>
<td></td>
</tr>
</tbody>
</table>
19. Can you give a breakdown of the retailers in each country?  
Not really as it is not handled by the UK division.  
Historically, distributors sold in France in the large supermarkets such as Auchan and Carrefour. Spain and Italy were mainly small independents. The business currently focuses on UK sales.

20. Do you sell your own brands to these retailers?  
Another part of the AHI group, sells in the UK and Europe and has multiple licences.  
Company C has not got the Disney licence as AHI already possesses a portfolio of brands and is a powerful player. This puts pressure on Company C to generate sales based on the product and price alone.

21. Do you possess a licence to distribute a brand (such as Disney)? If so, which one/s?  
Company C has Dora the Explorer in the UK and Barbie in some country. Party C has Disney, Barbie and Marvel characters.  
Company C no longer has big licences; it has some UK ones for characters shown on the BBC. These will appeal to supermarkets indicating that Company C needs to keep abreast of the latest shows and to bid against competitors who are also trying to get hold of licences.

Company C no longer had the Disney’s dress-up licence, which changed the way the business operated. Historically, the brand name opened doors with the large retailers who wanted the brand in their stores. Since these retailers had their own licences, Company C had to tender for the work thus entering into a competitive process. Historically, the business had to spend significant amounts of money developing the website and other promotional materials such as brochures. This is because they had to keep the Disney’s image intact if they were to keep the licence. At the time of the interview, the business was still mainly a children’s dress-up specialist, however it had identified opportunities in the adult dress-up sectors and this side of the business was growing. Company C strength lay in the sampling when they established operations in China. They were able to produce samples within two to three weeks exceeding the capabilities of their customers. They were flexible and happy to meet customers whenever and wherever they wished to. Company C website merged with USs’ own website resulting in sales increase. Because of shrewd reorganisation during the takeover, the business’s turnover and profit increased.
Historically, Company C recruited distributors at trade fairs, the author attended several events in Nuremberg and was responsible for following up on enquiries. It became clear during the interview that this had changed because Company C had acquired a European division through the acquisition. Therefore, they no longer required intermediaries.
4.5 Cross-Case Comparisons

The case studies’ findings generated some valuable data relating to supply chain management, business competencies, and internal/external issues. They are summarised in this chapter.

In the case of Company A, the main supply chain problems related to high stock levels, poor cash flow, lack of accurate sales samples, packaging/labelling adaptations, customers’ complex delivery/shipping requirements, and language barriers. However, intermediaries and networks facilitated internationalisation. Internal issues could arise from no regular staff appraisals, ad hoc staff rewards, no staff training, and the owner-manager erratic supply strategies. The main competencies and attributes of the business were flexibility with customers, such as offering advantageous payment terms, reactivity to market conditions, experienced directors and mentors, loyal staff force, and low staff turnover.

Company B’s main supply chain issues related to high stock levels, poor cash flow, lack of accurate sales samples, and complex delivery/shipping requirements. Internal issues could be attributed to no regular staff appraisals, ad hoc staff rewards, no staff training, and, in the case of the in-house brand, staff shortages. The main competencies and attributes of the business were flexibility with customers, market knowledge and agility, an experienced director, loyal staff force and low staff turnover. Company B internationalised through their customers.

Company C main supply chain issues prior to their acquisition by AHI related to high stock levels, poor cash flow, language barriers, packaging/labelling adaptations and complex delivery/shipping requirements. However, intermediaries and networks facilitated internationalisation. Since the sudden change in circumstances (acquisition), the business had reduced stock levels (lean), increased responsiveness and adaptability to the global market place, agility and no longer dealt with intermediaries. Pre-acquisition, internal issues could have arisen from no regular staff appraisals, no staff training, no staff rewards and, as observed by the researcher, erratic supply strategies.
Post-acquisition, it was evident that changes had taken place in the management and organisation of the business. The main competencies and attributes of the business pre-acquisition were flexibility with customers, market knowledge, experienced directors, loyal staff force, low staff turnover and a mostly effective sampling strategy. Post-acquisition, the business had acquired new competencies due to the size and experience of the acquirer.

Table 4.0 highlights the case studies’ barriers and facilitators to international market entry. It is clear that there are some commonalities between these businesses. In the case of Company C, the barriers and facilitators were further divided to show the effect of the acquisition had on the business.

Table 4.0 Barriers and Facilitators to International Market Entry

<table>
<thead>
<tr>
<th>Business name</th>
<th>Pre-acquisition</th>
<th>Post-acquisition</th>
<th>Pre-acquisition</th>
<th>Post-acquisition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company A</td>
<td>High stock levels, cash flow, low margins, sales samples, packaging/labelling adaptations, complex delivery/shipping requirements, language barriers, no regular staff appraisals, ad hoc staff rewards, no staff training, erratic supply strategy.</td>
<td>Flexible with customers and advantageous payment terms, reactive to market conditions, experienced directors and mentors, loyal staff force, low staff turnover, intermediaries/networks</td>
<td>Barriers: - Delivery and shipping requirements</td>
<td>Barriers: - Delivery and shipping requirements</td>
</tr>
<tr>
<td></td>
<td>No clarity regarding staff rewards, however it can be assumed that it has not changed or else Steph would have mentioned it.</td>
<td>Facilitators: - Delivery and shipping requirements, - No regular staff appraisals or rewards, - No staff training, - High stock levels, - Cash flow, - Low margins, - Vulnerable to cost increase from suppliers/exchange rate</td>
<td>Facilitators: - Flexibility, - Responsiveness, - Loyalty staff force, - Low turnover of staff, - Experienced directors/mentors, - Intermediaries/networks</td>
<td>Facilitators: - Flexibility, - Responsiveness, - Loyalty staff force, - Low turnover of staff, - Experienced directors/mentors, - Intermediaries/networks</td>
</tr>
<tr>
<td>Company B</td>
<td>High stock levels, cash flow, low margins, sales samples, complex delivery/shipping requirements, no regular staff appraisals, ad hoc staff rewards, no staff training.</td>
<td>Flexible with customers, market knowledge, experienced director, adaptable, loyal staff force, low staff turnover, intermediaries/networks</td>
<td>Barriers: - Delivery and shipping requirements</td>
<td>Barriers: - Delivery and shipping requirements</td>
</tr>
<tr>
<td></td>
<td>No clarity regarding staff rewards, however it can be assumed that it has not changed or else Steph would have mentioned it.</td>
<td>Facilitators: - Delivery and shipping requirements, - No regular staff appraisals or rewards, - No staff training, - High stock levels, - Cash flow, - Low margins, - Vulnerable to cost increase from suppliers/exchange rate</td>
<td>Facilitators: - Flexibility, - Responsiveness, - Loyalty staff force, - Low turnover of staff, - Experienced directors/mentors, - Intermediaries/networks</td>
<td>Facilitators: - Flexibility, - Responsiveness, - Loyalty staff force, - Low turnover of staff, - Experienced directors/mentors, - Intermediaries/networks</td>
</tr>
<tr>
<td>Company C</td>
<td>High stock levels, cash flow, low margins, complex delivery/shipping requirements, no regular staff appraisals, no staff training, no staff rewards language barriers, packaging/labelling adaptations.</td>
<td>Flexible with customers, market knowledge through intermediaries/networks, experienced directors, loyal staff force, low staff turnover, agile (responsive) supply chain strategies, sampling.</td>
<td>Barriers: - Delivery and shipping requirements</td>
<td>Barriers: - Delivery and shipping requirements</td>
</tr>
<tr>
<td></td>
<td>No clarity regarding staff rewards, however it can be assumed that it has not changed or else Steph would have mentioned it.</td>
<td>Facilitators: - Delivery and shipping requirements, - No regular staff appraisals or rewards, - No staff training, - High stock levels, - Cash flow, - Low margins, - Vulnerable to cost increase from suppliers/exchange rate</td>
<td>Facilitators: - Flexibility, - Responsiveness, - Loyalty staff force, - Low turnover of staff, - Experienced directors/mentors, - Intermediaries/networks</td>
<td>Facilitators: - Flexibility, - Responsiveness, - Loyalty staff force, - Low turnover of staff, - Experienced directors/mentors, - Intermediaries/networks</td>
</tr>
</tbody>
</table>

Source: compiled by the researcher
Although not a commonality, a unique case issue relating to sampling merits specific mention. Company B and Company A suffered from a lack of sales samples that resembled production standards. In Company C’s case, sampling was mostly a facilitator however, the business experienced occasional difficulties in this area. This highlights how crucial the issue is to SME clothing suppliers.

To summarise, the main barriers to these businesses internationalisation goals were complex delivery and shipping requirements, high stock levels (pre AHI for), poor cash flow (pre AHI for Company C), low margins, vulnerability to cost increases from suppliers/exchange rate, high levels of stock (pre AHI for Company C), no staff training, and no regular staff appraisals or rewards. The facilitators were agility, flexibility, responsiveness, intermediaries (pre AHI for Company C), networks, experienced directors/mentors, and their loyal staff force. It should be noted that though Company C mostly excelled at sampling, the other two businesses lost sales due to the lack of production like sales samples.

4.6 Discussions

The synthesis of findings in the literature review against those of the case studies results will generate analytical arguments and facilitate the formulation of logical conclusions (Blaxter et al., 2010). This approach aims to clarify the strategies implemented by UK SME clothing suppliers so that their entry modes into international markets are better understood. The EFQM BEM provided an analytical research framework throughout the investigation. Thus far, the interviews, their coding, and the presentation of the results have been organised according to the BEM five “Enablers” to acquire evidence on Leadership, People, Strategy, Partnership and Resources, and Processes, Products and Services. For consistency’s sake, discussions in this paragraph are organised in the same manner. This approach will facilitate discussions so that the transformation of inputs to outputs and outcomes particularly through processes and policies (Ghobadian and Woo, 1996:11) can be measured.
4.6.1 Leadership

The literature relating to the BEM Enablers defined leaders as those who develop and facilitate the achievement of the mission and vision by creating organisational values and systems via their actions and behaviours (EFQM, 2013; Ghobadian and Woo, 1996; McAdam, 2000; McAdam and Kelly, 2002; Sampaio et al., 2012). This section will examine whether owner-managers’ actions and behaviour are barriers or facilitators in developing their business strategy so that long-term success is ensured.

First, it was necessary to investigate the director’s entrepreneurial activities to determine whether their behaviour and actions affected the development of their businesses. It is clear that many of the directors were involved in other ventures. They often relied on mentors to advise them suggesting that networks are important to SMEs.

From the findings, one can see that the directors are entrepreneurs who created medium-sized businesses. Further, it showed that the businesses operated in international markets. The owner-managers relied on support from their loyal and skilled employees who followed up on the sales through completion. Further, they did not seem to mind relinquishing some control of their business because they employed dynamic people to support their international goals.

Out of the 10 directors in the three businesses investigated, three were solely directors in their business. These findings suggest that two profiles of directors were involved in running these businesses. One was the entrepreneur and agent for change who created opportunities (Bolton and Thompson, 2004; Shane, 2003), was innovative and liked to take risks (Blackburn et al., 2013) because of personal characteristics and relevant environmental conditions (Carland et al., 1984). The other was the owner-manager who owned the business and possessed an in-depth knowledge of all aspects of the business (Blackburn et al., 2013). Therefore, given the same resources, threats and opportunities, they would not have the same level of success because their strategic thinking differs (Hines, 2013). Indeed the strategic thinking, focus, and perspective of a director
with multiple businesses will differ from that of one involved in one business. It must be noted that the interviewees had different positions within the businesses. Paul from Company A was an equity director of the business, Steph from Company C was a sales director of the UK dress-up division (but not an equity director), and Lucy from Company B was a senior sales manager who worked closely with the owner. The commonality is that they had all worked with or employed the researcher. From interview discussions and past experience, it is undeniable that the owner-managers were builders of teams who nurtured talent so that when opportunities occurred they could relinquish responsibilities to focus on new prospects (Legge and Hindle, 2004) and build dynamic capabilities (Kay, 1993).

The main characteristics of the owner-managers interviewed were generosity, friendliness, and an “open door” approach to the staff they valued. Nonetheless, in most cases, staff appraisals and regular salary reviews did not take place, instead the business performance drove the haphazard reward system. Furthermore, the communication of business objectives took place through disorganised channels such as word-of-mouth or through sales managers. However, because relationships in businesses are subtle, complex, and hard to explain, this could produce a structured degree of informality that can be mistaken as chaotic and haphazard (Kay, 1993). Furthermore, Hoyle’s (2006) views partly concur with the findings in that Company A and Company B owner-managers displayed some participative characteristics; there was an informal organisational structure, and they believed in the link between productivity and good human relationships. However, unlike Hoyle’s research, communication of goals and their execution were unclear and the collective effort was not to seek quality in each task but to achieve targets driven by customers’ demands. In the case of Company C, transactional characteristics were evident and there was some organisational structure in order to get things done. The needs of the people to accomplish goals were met and employees were rewarded if they produced what management expected (Hoyle, 2006). This indicates that the organisational strategy of Company C changed following their acquisition by AHI. It is possible that, particularly in the case of Company A, organised chaos was part of the
business organisational strategy. In fact, having examined these individuals, it appears that few displayed organisational skills.

Gunasakaran _et al._ (1996) emphasise leadership commitment and vision to achieve total quality management. The findings demonstrate that the owner-managers lead their teams and had goals for their businesses. However, no TQM framework was implemented to manage the businesses. Nevertheless, it should be noted that the group, who founded Company A, was accredited with an Investors in People award in 2002 when it employed approximately 100 people. The then director employed a quality manager whose sole responsibility was to obtain the accreditation. He clearly thought that performance and growth were achievable through leadership and management skills thus concurring with Hayton (2015).

The findings return to discussions started in the literature review where questions were posed about profit and growth driving entrepreneurs through innovative behaviour and strategic management practice (Carland _et al._, 1984). It is now possible to establish that these businesses were innovative and that profit and growth were main drivers, however, strategic management practices were not always verifiable. This section aims to examine whether owner-managers' actions and behaviour were barriers or facilitators in developing their business strategy. It has not been possible to establish the extent of the strategic management practices in the case studies. This is partly because gaining a competitive advantage in a volatile environment through adequate resources and competencies (Colovic, 2012; Mintzberg _et al._, 1998) necessitates discussions on people, resources, and strategies. These discussions take place in following sections.

4.6.2 People

The literature relating to the BEM Enablers states that excellent organisations manage, develop, and release the full potential of people at an individual, team-based, and organisational level (EFQM, 2013; Ghobadian and Woo, 1996; McAdam, 2000; McAdam and Kelly, 2002; Sampaio _et al._, 2012). This is so that
they support the strategy and the business effective operation of its processes. The right employees are critical to the planning of strategies (Mintzberg et al., 1998). However, achieving strategic goals depends on the culture established by the people who experience the system in which they operate (Hollyer and Bruce-Jones, no date). Therefore, the examination of roles of the staff within each business should determine whether owner-managers recruit strategically to achieve their specific goals.

Table 4.1 Employees and their Roles in the UK

<table>
<thead>
<tr>
<th>Job role/Company</th>
<th>Company A</th>
<th>Company B</th>
<th>Company C</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>N° of people</td>
<td>N° of people</td>
<td>N° of people</td>
</tr>
<tr>
<td>Design</td>
<td>8 + 2 freelance</td>
<td>2</td>
<td>5 + 2 placement students (not considered full time employees)</td>
</tr>
<tr>
<td>Sales/account managers</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Merchandising</td>
<td>5</td>
<td>7</td>
<td>China office</td>
</tr>
<tr>
<td>Quality Assurance (QA)</td>
<td>2</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Logistics</td>
<td>4</td>
<td>2</td>
<td>China office</td>
</tr>
<tr>
<td>Leadership</td>
<td>4 directors</td>
<td>3 directors</td>
<td>3 UK directors</td>
</tr>
<tr>
<td><strong>Total number of full-time employees (exc. directors)</strong></td>
<td><strong>23</strong></td>
<td><strong>20</strong></td>
<td><strong>11</strong></td>
</tr>
</tbody>
</table>

Source: compiled by the researcher

The data presented in Table 4.1 shows that the structure of the three businesses comprised three or four directors who employ four sales/account managers denoting a typical structure for apparel SMEs. Company C and Company A employed between seven and ten designers compared to three at Company B. This could indicate that Company B supplied mid-market retailers who have their own in-house design teams. Therefore, their design skills are not as crucial as with the other two companies. Company C and Company A relied on product design and development to generate sales, which explains the high number of designers recruited. Company A and Company B employed between five and seven merchandisers. This represents a high figure compared to the number of sales staff and may be due to the in-depth levels of administration required for each order. For example, packing and labelling requirements in various languages, complex logistics and communication with factories located overseas.

In contrast, Company C UK employed no merchandisers as this function took place China where labour costs are cheaper. QA was a high priority to Company
B who employed four staff to fulfil that function probably because their customers were mid-market retailers who required perfect garments and who fined the business heavily when they were not. Company A and Company C employed two for that role, but Company C had additional QA staff in the China office. Company A was under-resourcing QA and may have relied on suppliers to carry necessary quality checks. Paul’s comments about not being equipped to deal with Europe or the large retailers in the UK highlights a number of issues. Either their suppliers were not diligent enough in fulfilling the QA function or the business needed to recruit more QA staff to meet retailers’ exacting demands or the business but might not have sufficient resources to hire extra staff. Four members of staff in Company A, probably due to complex worldwide distribution requirements, occupied the logistics function. However, Company B employed two staff because shipping was possibly less critical due to the delivery of goods directly to the UK or to central warehouses in the EU. Company C managed this role from the China office. The findings highlight that each business recruited staff strategically and to suit their business model.

It is clear from the interviews that these businesses had a low staff turnover and that employees were loyal. This can be attributed to the collective culture (Mintzberg at al., 1998; Stacey, 1996) to rewards, systems, processes, or the working environment (Hollyer and Bruce-Jones, no date).

Staff recruitment generally happened by word-of-mouth or through specialised agencies. The researcher often recommended people for merchandising, design, QA or sales positions thus indicating that small businesses favour personal recommendations. Agencies were a last resource as they were costly and did not always produce the right candidate for the job. Due to low staff turnover, employees were highly skilled as they developed knowledge through a number of years and understood the business needs. In all three businesses, new members of staff received no formal training. A newcomer’s ability to do the job and fit in with the rest of the team would soon become apparent and be acted upon. For example, the researcher did not receive training at Company A or Company C instead she was “thrown in at the deep end”. This “sink or swim”
approach soon got rid of unsuitable or weak staff. These facts suggest that if new staff do not fit in the business culture by sharing habits, ways of thinking, practices and beliefs (Stacey, 1996), they will be less likely to last in the job because they will not receive support from their peers. Overall, the pressures at work were intense as employees dealt with targets as well as internal (colleagues, managers) and external demands (customers, factories). Because employees spent significant periods at work and for many years, it is reasonable to assume that the collective culture will be strong. This resulted in friendships and employees socialising outside of work thus reinforcing the collective business culture.

The three offices visited were located in business parks. The working environment observed during the interviews demonstrated that the facilities were basic and cramped. Each office had a kitchenette, bathrooms and desks often piled with paperwork, garments, and surrounded by cardboard boxes. The showrooms on the other hand, were more luxurious and displayed the product ranges in a methodical manner. This is no surprise given meetings with customers took place there.

As previously discussed, the right employees are critical to the planning of strategies but they are other considerations. To present a coherent case necessitated the investigation of how goals, policies, and actions are integrated into a whole (Mintzberg et al., 1998).

4.6.3 Strategy

The literature relating to the BEM Enablers states that strategy is about businesses implementing their mission and visions (EFQM, 2013; Ghobadian and Woo, 1996; McAdam, 2000; McAdam and Kelly, 2002; Sampaio et al., 2012). It further states that it requires the development of a focused strategy that takes into account the market sector in which it operates. This is achieved through policies, plans, objectives, and processes. This section will examine whether the case studies have a mission and vision and if so, how they are implemented.
All three businesses were medium-sized, based in the North West of England, and supplied mainly childrenswear. They were “suppliers” rather than retailers, manufacturers or wholesalers. This is because they supplied clothing to retailers, offered in-house design services and shipped goods manufactured through direct contact with factories or agents (British Fashion Council, 2012).

The findings clarified that there was a lack of structure in these businesses, which can be attributed to a shortage of resources (time and financial) (Anderson, 2014; Bennett, 1997; Hale and Cragg, 1996; Hamill, 1997). This was evident throughout discussions. Nevertheless, the businesses displayed innovative practices in the way they pursued new opportunities in the overseas market, trialled online selling platform, experimented with sampling facilities, and acquired global brands or developed in-house brands. Therefore, their inherent strength was their agility (Vargo and Seville, 2011), although whether they can adapt to new scenarios quickly is questionable.

Their desire to enter new markets, though resources were scarce, is mainly attributable to difficult home market conditions so they gradually started to operate in international markets. This demonstrates that their internationalisation patterns were mainly traditional/incremental (Johanson and Vahlne, 1977; Olejnik and Swoboda, 2012). Furthermore, their international strategy was ad-hoc, opportunistic and reactive to new opportunities (Bell et al., 2003:346-347). In the case of Company A, there was also atomistic expansion and unrelated new customers/markets (Bell et al., 2003:346-347). Company C was a “born-again global” business because further to the acquisition by AHI, it received a capital injection. Indeed, initially the business had domestic market orientation, followed by rapid internationalisation due to the parent company’s network and overseas markets (Bell et al., 2003).

It is clear that all three businesses encountered several obstacles in the internationalisation process. For example, there were language barriers, difficulties in adapting to cultural differences and requests for product adaptation. The researcher’s language skills were appreciated when she worked for some of
these businesses. These language skills put her at a significant advantage because intermediaries liked to communicate in their mother tongue and felt that their requests were better understood. Additionally, the author checked the wording on packaging and labelling for accuracy as intermediaries often complained about mistakes. Adaptations to labelling and packaging are time consuming and expensive. Nevertheless, adaptations are necessary to comply with overseas markets legislation such as fabric testing and individual customers’ demands. Therefore, these businesses need to possess competencies on experience of foreign culture, language skills, international contacts and knowledge of foreign competitors (Lloyd-Reason et al., 2004).

Historically, Company A supplied European countries through a network of intermediaries but could not meet the demands of larger UK retailers such as Tesco. This proves that the business did not have the internal capabilities to deal with specific market demands whether that be the UK or otherwise. For this reason, the directors were constantly looking for new opportunities overseas. They lost accounts and pursued new customers regularly, indicating that the lack of planning and structure in the business affected its performance. Company C and Company B were trading with the same, well-recognised high street customers for a number of years. This indicates that they must adopt a lean and agile supply strategy (Christopher and Towill, 2000) to survive tough market conditions.

Company A and Company C decided to export to overseas markets because the UK market reached saturation (Bolton and Thompson, 2004). They decided to export through intermediaries as it involved low financial risk (Leonidou et al., 2002). However, to enter unknown markets small businesses must understand the marketing environments of the countries in which they wish to operate (Harris and McDonald, 2004; de Mooji, 2005). There was little evidence from the investigation that these businesses did their homework prior to entering overseas markets.
Company A favoured customers/orders who required a minimum amount of adaptation because the business did not have the internal capabilities. The findings revealed that internal resources such as finance and human resources played a big part in entry mode decisions. Company A designed and sold in-house brands, Company C designed and sold dress-up and was licensed to develop and sell branded dress-up, and Company B supplied well known mid to high market retailers and designed and sold its in-house brand. This indicates that all businesses recognised the value of brands and perceived it as a way to minimise adaptation once the brands gained recognitions, concurring with Levitt (1983).

This proves that there is a need for strategic management decisions so that businesses can evaluate where they are, where they want to be and how they will get there (Colovic, 2012). Further, it proves that firms who decide to internationalise their operations because of market saturation and poor economic growth (Gereffi, 1999) need to do their homework (Hollensen, 2014). Therefore, they must coordinate organisational and market penetration strategies (Welch and Luostarinen, 1988) but to be successful they must have sufficient resources and forge alliances with the right people.

4.6.4 Partnership and Resources

According to the summary reviewed in the literature, Partnership and Resources correspond to the planning and management of external partnerships and suppliers and internal resources to support strategy and the effective operation of processes (EFQM, 2013; Ghobadian and Woo, 1996; McAdam, 2000; McAdam and Kelly, 2002; Sampaio et al., 2012). This section discusses external and internal resources to clarify whether these businesses have strategies that support the effective operation of processes.

The three businesses managed their relationship with intermediaries who were factories and agents/distributors. They all dealt with intermediaries as far as production of the goods were concerned. The findings highlight that a popular way to consolidate and develop partnerships is through trade fairs. They enabled
businesses to network with existing customers while acquiring new ones. Additionally, trade fairs presented opportunities to develop relationships with intermediaries that could sell the product ranges in overseas markets.

Out of the three businesses, Company A was most proactive in seeking new international clients. They trialled the online American bidding website Zulily; their range was popular so they were planning to continue with this strategy. So far, the findings show that Company A is agile, proactive, and erratic. The business did not hesitate to trial new avenues and rapidly backed down when it did not work out. The opening and closure of offices in Pakistan and China prove this. In contrast, Company C was more organised and consistent. It had an office in China for over 10 years and employed Chinese and UK staff to facilitate communication between Chinese factories and UK retailers. This successful set-up needs recognition because it resulted in a responsive supply strategy. Company B sourced factories directly; the owner-manager travelled regularly to audit factories and negotiate prices. The characteristics of its owner-manager concur with Gray’s (2002) view in that, Phil was reluctant to expand the business beyond the stage at which he could personally manage everything. This strategy could be a barrier to the business internationalisation goals.

Overall, these businesses display the common characteristics of SMEs because they were flexible, responsive, risk-taking, created opportunities, and looked for ways to obtain better margins (Lloyd-Reason and Mugan, 2002; Margi and Philip, 1998; Aloulou and Fayolle, 2005). The investigation demonstrates that growth is affected because of cash flow problems and limited internal capabilities. For example, Company A wanted to set up a transactional website and Company B planned to grow its in-house brand but could not do so because of lack of resources. However, Company C was fortunate to be acquired by AHI as this parent company is of a significant size. In this case, both parties benefitted as the acquisition will increase AHI international business and help provide greater market presence.
The examination of the case studies financial resources provided further evidence on the profitability and liquidity of these businesses. It became clear that at some points these businesses carried high levels of stocks, which affected their cash flow.

4.6.5 Processes, Products and Services

According to the literature, this topic relates to the design, management and improvement of processes to fully satisfy and generate increasing value for customers and other stakeholders (EFQM, 2013; Ghobadian and Woo, 1996; McAdam, 2000; McAdam and Kelly, 2002; Sampaio et al., 2012). Here it will be evaluated if processes are designed and managed to increase value for customers.

The findings show that objectives and processes were developed in accordance with sales forecasts extracted from past and present performances. Indeed the business strategy was often developed with and communicated to sales teams but not to other employees who tended to find out through word-of-mouth. To inform the sales strategy, the owner-managers kept abreast of current affairs and monitored labour costs, exchange rates, cotton prices, development on the high street, mergers and acquisitions. Consultations with customers facilitated the forecasting of order sizes so that factories capacity could be booked. This initiative enabled the businesses to prepare cash flow forecasts. This is key because the topic of finance recurred throughout the research. This concurs with the literature that states that financing is an area where small businesses struggle (Hudson-Smith and Smith, 2007).

Sampling was a major issue for Company A and Company B. The difficulty related to obtaining sales samples that were commercial enough to be presented to buyers. Factories often sent size specification samples instead of sales samples to avoid the production of additional samples. Because they did not reflect the CADs produced by designers, sales opportunities were lost. The author experienced these difficulties when working for the business. Samples took four to six weeks to arrive in the UK and were often in the incorrect fabric,
colour, and trims clashing with the rest of the garment. Paul reckoned that if the business “got the sampling strategy right, more sales would follow”. However, one way the business counter balanced this problem and kept close to customers from the value end of the market, was offering better payment and credit terms.

Company B also struggled to meet Boden’s demands, as they required an average of 300 samples per season. This was difficult to manage because the business relied on the factories to produce photographable samples for their customer’s transactional websites.

The sampling issue occurred because Company B and Company A did not have control of the supply chain, as they were reliant on intermediaries to pressurise factories to produce sales samples. Additionally, this situation was time-consuming for the over deployed staff force who had to constantly follow, return or order additional samples. This suggests that both businesses should implement a sampling strategy to increase sales opportunities, decrease staff workload and improve cash flow. Samples were not free of charge but they are an investment that can generate sales. However, factories were reluctant to produce them because they necessitate high labour costs and are not profitable.

From the onset, Company C directors were innovative, as they understood that top quality sales samples were the conduit to increased sales. Therefore, the business strategy was to set up offices in China where they would have better control of the supply chain and thus gain a competitive advantage. This attribute, as well as licences, attracted AHI to the business. The interview revealed that the business was able to produce sales samples within two weeks, which exceeds the capabilities of the other two businesses. It is evident that the business was market savvy and wanted to have the leading edge on manufacturing techniques and product innovation to keep its competitive advantage.

It is evident that the owner-managers multi-task, however it is not clear if they do not have time to strategise or if the market is so uncertain that they need to be reactive. For example, Paul from Company A is an opportunist who constantly
looks for avenues to sell his stock. Because of the different leadership styles and set up of the three businesses, not all owner-manager recognised and endorsed the need for change in their organisation (Hoyle, 2006).

4.7 Findings Summary

This thesis aimed to investigate the strategies implemented by UK SME clothing suppliers to determine their entry modes into international markets. This necessitated the evaluation of cases strategies to determine the barriers and facilitators in their entry modes. The EFQM BEM framework, used as an analytical tool, identified the main critical internal and external components in the supply of clothing. The BEM Enablers were useful in evaluating leadership, people, strategy, partnership and resources, and the processes, products and services. This analytical framework facilitated discussions relating to businesses capabilities and internationalisation strategies.

Another framework, developed by Bell et al. (2003) and evaluated in Chapter two, provided a useful basis for determining the internationalisation behaviour of the case studies. The findings determined that all three businesses started as “Traditional”. Company C became “Born-again global” post-acquisition. Company A and Company B were “traditional” businesses who reacted to difficult home market conditions by incrementally seeking new opportunities overseas through existing UK customers or independently. Company B was reluctant to internationalise but did so through existing UK customers who were expanding overseas. This might not have been the initial plan of the owner-manager, however, it gave the business a chance of survival and access to a greater share of the market. Company C started as a “traditional” but became a “born-again global” business because of its acquisition by AHI. This gave the business the opportunity to acquire new resources and networks. Company C had started incremental internationalisation pre-acquisition and this gained momentum post-acquisition due to an improved infrastructure.
The main internationalisation behaviour of traditional (traditional/gradual) and born-again global (late/radical) businesses was adapted from Bell et al. (2003:346-347) so that the case studies differences could be determined (see Table 4.2). The differences are measured in relation to motivations, objectives, expansion patterns, pace, methods of distributions, international strategies, and financing. Once the findings were analysed, the surplus differences were removed from Bell et al. (2003)’s original work and the relevant ones were matched to each case.

Table 4.2 Cases Differences in Internationalisation Behaviour

<table>
<thead>
<tr>
<th></th>
<th>Traditional business (traditional/gradual) Company A (A) / Company B (B) / Company C pre-acquisition (C)</th>
<th>Born-again global business (late/radical) Company C post-acquisition (C)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Motivation</strong></td>
<td>Reactive (A), Adverse home market (C, A &amp; B), &quot;Reluctant&quot; management (B), Cost of new production (A), Processes force export initiation (A &amp; B)</td>
<td>Reactive (C), Response to a &quot;critical&quot; incident (acquisition) (C)</td>
</tr>
<tr>
<td><strong>Objectives</strong></td>
<td>Firm survival/growth (C, A &amp; B), Increasing sales volumes (C, A &amp; B), Gaining market share (C, A &amp; B), Extending product life-cycle (C &amp; A)</td>
<td>Exploit new networks and resources gained from critical incident (C)</td>
</tr>
<tr>
<td><strong>Expansion patterns</strong></td>
<td>Incremental (C, A &amp; B), Domestic expansion first (CA &amp; B), Focus on &quot;psychic&quot; markets (C &amp; A), &quot;Low-tech&quot;/less sophisticated markets targeted (A), Limited evidence of networks (A)</td>
<td>&quot;Epoch&quot; of domestic market orientation (C), followed by internationalisation (C), Focus on &quot;parent&quot; company's network and overseas markets (C)</td>
</tr>
<tr>
<td><strong>Pace</strong></td>
<td>Gradual (A &amp; B), Slow internationalisation (small number of markets) (A &amp; B), Adaptation of existing offering (A)</td>
<td>Several markets at once (C), Adaptation (C)</td>
</tr>
<tr>
<td><strong>Method of distribution / entry modes</strong></td>
<td>Conventional (B), Use of agents/distributors or wholesalers (C &amp; A), Direct to customers (C, A &amp; B)</td>
<td>Networks (C), Existing channel/s of new &quot;parent&quot;, partner/s or client/s (C)</td>
</tr>
<tr>
<td><strong>International strategies</strong></td>
<td>Ad-hoc and opportunistic (C &amp; A), Evidence of continued reactive behaviour to new opportunities (C &amp; A), Atomistic expansion (C &amp; A), Unrelated new customers/markets (C &amp; A)</td>
<td>Reactive in response to &quot;critical&quot; incident but more structured thereafter (C),</td>
</tr>
<tr>
<td><strong>Financing</strong></td>
<td>&quot;Boot Strap&quot; into new markets (A)</td>
<td>Capital injection by &quot;parent&quot; (C)</td>
</tr>
</tbody>
</table>

Source: adapted by the researcher from Bell et al. (2003:346-347)

Having established the case studies differences in internationalisation behaviour, it is useful to compare the findings against the five BEM enablers.
Leadership: there was some evidence that the leaders developed and facilitated the achievement of their vision by creating values through their actions. It was not possible to determine if owner-managers’ actions and behaviour were barriers or facilitators in developing their business strategy.

People: the collective culture, systems and processes lead to better staff retention. The working location or environment did not account for low staff turnover, as the facilities were “basic”. Employees gained extrinsic and intrinsic rewards. It is clear that these businesses managed, developed and released the full potential of employees at an individual and team-based level resulting in low staff turnover.

Strategy: businesses had some strategy that took into account the market sector in which it operated. Company C and Company B were more adaptable to customers’ demands and were able to achieve this through processes. Company A was less able to cope with customers’ demand due to lack of resources. Further to AHI’s acquisition, Company C benefitted from the parent company’s resources and networks. Policies, plans, objectives, and processes developed because of the takeover.

Partnership and Resources: these businesses displayed common characteristics of SMEs. They were flexible, responsive, risk-taking, created opportunities and looked for ways to obtain better margins. This was achieved through strategic alliances, benefiting from existing customers, seizing opportunities and developing a support network. Growth was affected because of cash flow problems and internal capabilities. Company C was fortunate to be acquired by AHI as this parent company came with a network of customers, suppliers and resources.

Processes, Products and Services: Company C processes, pre and post AHI, increased value for customers because of their offices overseas, their sampling facilities, and through brand licensing. Company B increased value for customers by providing large numbers of photographic samples; their customers’ loyalty is
a testament to the value they provide. Company A’s main means of adding value was through improved payment and credit terms. However, the business struggled to retain customers and so was constantly pursuing new avenues. This suggests that Company A does not increase value for customers.

Having compared findings from the case studies internationalisation behaviour and the BEM enablers evidences how UK SME clothing suppliers enter international markets. From this evidence, conclusions will be reached and discussed in the next chapter.
Chapter 5 – Conclusions

The purpose of this concluding chapter is to synthesise conclusions drawn from the evidence in the research study. The conclusions drawn give rise to knowledge claims that are linked back to the original research aim and objectives stated in Chapter 1. Limitations of the research approach are briefly discussed before setting an agenda for future research in this area.

The first objective was to identify strategies that enable UK SME clothing suppliers achieve their internationalisation goals. There were two approaches adopted to evaluate strategies of UK SME clothing firms. Firstly, a review of the extant literature was provided, and secondly, three SME case studies were selected according to the criteria given in Chapter 3 (section 3.3.1). This was addressed by systematically reviewing the literature related to how internationalisation goals were achieved. The purpose here was to find out what was already known and written about in the extant literature. Key-word searches were used to select and review appropriate literature. For example, “internationalisation strategies…” and associated strings such as “clothing firms”, “… “UK SME clothing firms”, “… “internationalisation goals of UK SME clothing firms…” and so on. The case study organisations selected were able to provide insight into how they approached and conducted business in international markets linked to their stated goals. This provided an answer to the secondary research question: Are strategies enablers in UK SMEs internationalisation goals?

Summarising the research evidence, there were a number of determinants in SMEs achieving internationalisation goals. The first one related to the internationalisation pattern; because of home market saturation and poor economic growth (Gereffi, 1999) all three cases entered international markets incrementally. They were propelled to seek opportunities in overseas markets thus following the pattern of traditional businesses. One of the case studies, acquired by a much larger American firm, gained access to networks and resources and, as a result, displayed born-again global internationalisation pattern. This change in circumstances, shown in Table 4.2, provided some unique
data and enabled the evaluation of differences in internationalisation behaviour between traditional and born-again global. The other determinant concerned the businesses limited internal resources (human, time, and financial) and numerous partners at a different time in their lifecycle (discussions under 4.2.2, 4.3.2, 4.4.2 Topic 4: Partnership and Resources). The third determinant related to the owner-manager. These individuals established unique workplace cultures and employed staff (QA, merchandisers, designers) who enabled their businesses to acquire operational competencies (discussions under 4.2.2, 4.3.2, 4.4.2 Topic 2: People) so that they were able to react to market fluctuations rapidly. The literature reviewed called for more research devoted to managerial decision-making and to the relationship between organisational behaviour and market entry in early internationalisation (Rialp et al., 2005:16). This research partially responds to this call for more research in this area by examining managerial decision-making and the relationship between organisational behaviour and market entry in internationalisation. The outcome is that managerial decision-making was, in most cases, ad hoc and haphazard because of market uncertainties. These uncertainties lead to reactive strategies because of the fast-paced, fast-changing trading environment. The literature (Chapter 2.4) focused mainly on the internationalisation process of larger firms summarised in theoretical models, however little is known about the internationalisation of SMEs particularly in a clothing context. This research revealed that the need to be reactive overshadowed business strategies. This contribution adds to the literature and is distinctive in that it focused on the context of UK SMEs in the clothing sector.

The second objective was to examine the international market entry strategies of UK SME clothing suppliers, with a specific focus on evaluating barriers and facilitators. Once again, the literature indicated what is already known about generic market entry strategies. However, what is less clear is a view of market entry strategies for SMEs and particularly those in the clothing industry. This research makes a contribution to understanding the approaches and practices adopted by the three case organisations who are classified as SMEs in the clothing industry. This provided answers to the secondary research
question: Are market entry strategies critical to UK SME clothing suppliers’ internationalisation goals?

This research found that market entry strategies are necessary but not sufficient on their own to be critical. The critical factor related to the owner-manager’s ability to respond to market demands swiftly. It was found that the SMEs scrutinised were reactive and adaptable (discussions under 4.2.2, 4.3.2, 4.4.2 Topic 3: Strategy; 4.2.2, 4.3.2, 4.4.2 Topic 5: Processes, Products and Services) and so they survived the challenging economic climate. Their reactive abilities led to faster response time, which made them unique. This does not mean that they did not have plans but in most cases they were unable to achieve them because of the fast pace of change in market conditions. Additionally there were barriers to market entry such as lack of financial resources (discussions under 4.2.2, 4.3.2, 4.4.2 Topic 4: Partnership and Resources) and difficulties in obtaining production like sales samples (discussions under 4.2.2, 4.3.2, 4.4.2 Topic 5: Processes, Products and Services) which affected sales. Additionally, customer’s demands for adapted products, labelling and packaging complicated the supply chain (discussions under 4.2.2, 4.3.2, 4.4.2 Topic 4: Partnership and Resources). One of the ways of addressing this issue was the creation of in-house brands and the acquisition of licences as customers were less likely to ask for product adaptations. The entry modes were significant; the findings indicated that these businesses were ill equipped to enter new markets without a support network. However, they were less inclined to use intermediaries such as agents, and distributors. They preferred direct entry modes either through online selling platforms or through retailers because the main difficulty remained in finding the right partners to work with.

The third objective was to evaluate the EFQM Business Excellence Model (BEM) framework as an analytical tool for SMEs in this sector. This framework helped to identify the main points in the case studies and was the primary tool for analysis of the case study data. This provided answers to the secondary research question: How beneficial is the EFQM BEM framework as an analytical tool for SMEs in the clothing sector?
The EFQM BEM framework (Figure 2.5) generated data on five key areas of the businesses (Leadership, People, Strategy, Partnership and Resources and Processes, Products and Services) in a systematic fashion. Further prodding using the analysis (Table 2.3) developed by Bell et al. (2003) and synthesised with the case analysis (Table 4.2) provided further evidence on the internationalisation behaviour of the case studies. This evidence, alongside the theoretical model (Figure 2.3) developed by Welch and Luostarinen (1988) highlighted the main components of an internationalisation strategy such as organisational capabilities and networks. The EFQM BEM framework enabled the examination of the components underlined by Welch and Luostarinen. Without the BEM structure, it would not have been possible to gain as much insight into the cases. The EFQM BEM framework provided a rigorous analytical framework, which guided the research approach and facilitated the coding and analysis of the findings. Therefore, its value as a potent investigative instrument that highlights improvement opportunities and strengths has to be recognised.

The fourth objective was to analyse the importance of supply chains in the context of the research study. This provided answers to the secondary research question: How important is supply chain management in SMEs internationalisation?

The literature review clarified the interrelationship between SMEs supply strategies and the attainment of internationalisation goals. Four main processes helped identify the importance of supply chains in SMEs internationalisation: the environmental audit, the market entry, the supply chains, and the quality systems. These processes summarised in Chapter 2 (Figure 2.6), resulted in an integrative model of SMEs internationalisation strategies. This provided a framework to consider and conceptualise these five main processes in internationalisation goals. First, this model prompted the review of the case’s ability to understand environmental conditions to see if they were capable of entering new markets. This contributed to understanding that the environmental conditions and the businesses’ capabilities did not alone dictate market penetration strategies. This is because owner-managers on behalf of the business had to react speedily to
market conditions. Second, the examination of market entry modes and particularly networks established if these businesses had market entry strategies. This research found that the direct entry mode was preferred because it exposed them to fewer risks and commitment. However, there were language and cultural barriers. Overall, the use of agents and distributors was least favoured because the businesses risked losing control of operations. Additionally, involving third parties would decrease the margins necessary to remain competitive. Third, this model prompted the review of internal and external processes involved in the management of the supply operations to examine these businesses responsive capabilities. Clearly, all the case study organisations were able to respond to fluctuating market demands with agility because they were able to make quick decisions. Having decisions makers who were “hands-on” owner-managers allowed this competitive advantage. This is not something that the literature on internationalisation revealed. The fourth process was to establish these businesses’ goals and to measure the extent of the quality strategies implemented to achieve business excellence. Their common goal was to supply products outside the UK efficiently and profitably. Evidently, the case studies employed competent staff and relied on manufacturing supply networks to achieve their goals. The research shows that quality strategies were not prepared by the businesses. Customers imposed them, which in turn prompted the businesses to react quickly. Finally, from the empirical findings it is reasonable to conclude that the owner-managers are the main determinants in their businesses achieving internationalisation goals. This is because their leadership styles, the management of their business, their goals and strategies, their resource allocation, their selection of partners/networks, their business competencies, and the systems they implemented contributed to their business surviving challenging trading environments.

The aim of this research was to investigate the strategies implemented by UK SME clothing suppliers to determine their entry mode into international markets. This thesis contributes to the understanding of the interrelationship between internationalisation, market entry and supply chains in the UK SME clothing context. What is clear is that the owner-managers are critical to
internationalisation goals because they can make decisions and react quickly. One of the most noteworthy factors to consider when debating businesses’ internationalisation goals is the owner-manager’s interest in international activities as a way to survive and grow. The critical exploration of theoretical frameworks in the literature synthesised with the empirical findings resulted in a model that help understand the process of internationalisation adopted by UK SME clothing suppliers (see Figure 5.0).

Figure 5.0 The Internationalisation Process of UK SME Clothing Suppliers

5.1 Implications of this Research for Clothing SMEs
The research originated from a genuine interest in supporting UK SME clothing suppliers to develop an international supply strategy. This research has informed actions that will lead to better practices:

- Sampling issues were experienced to lesser or greater extent by all businesses. The North West of England has manufacturing and wholesale
clusters where sampling facilities could be set up to increase sales opportunities.

- Though the staff employed by the businesses scrutinised were loyal and knowledgeable, the interviewees highlighted that they experienced language and cultural barriers. This emphasises the need for strategic recruitment and attractive reward packages to retain skilled staff.

- The acquisition of one of the case studies allowed the business access to a transactional website. The other two businesses had plans to sell online but no resources to implement it. This is a missed opportunity particularly when online retailing spending is soaring. Therefore, SMEs in the clothing sector should contact business incubators or organisations providing targeted business support.

- Although the high involvement of the owner-manager is identified as a strength, which leads to faster decisions, it is also something that SMEs may need to be fully aware of with regard to future risk. For example, if the owner-manager/s were to be removed through illness or other factors would there be sufficient contingency to continue the business without disruption? Perhaps there is a need to train the management team for succession and disaster recovery planning.

5.2 Limitations of the Research

The research approach adopted followed the guidance given in the research literature when adopting a case study approach. Access to case study organisations is one factor that limits what one would like to do with what is practical to do. It is not simply access to the case study organisations but access to sources of data inside the organisations once permission is granted which also places limitations on the research. This was not so much a problem in this research because good contact relationships were established and maintained. Nevertheless, it is something that researchers doing this type of research study need to be fully aware of and work at to succeed. It is conceivable that some might see the small number of cases as a limitation. However, this research did not intend to make broader generalisations to a total population of cases in any
statistical sense. Instead, it intended to understand the internationalisation process of the cases selected in this study. The intention was to provide insights into practices adopted by these organisations. In turn, as others have noted, it is possible to theorise and make knowledge claims from one or a small number of case studies (Flyvbjerg, 2006). It was possible to make such a contribution here because the researcher purposively selected the case studies where theoretical insights could be drawn from practices observed linked back to the theoretical approaches stated in the literature. Therefore, this highlights that access to case studies is critical to this type of research.

5.3 Future Research Agenda

The potential for future research is extensive and multifaceted. To generate broader conclusions and expand on this research there is a need for more case studies. This would include:

- Further case study research in the North West of England to strengthen the existing case research findings.
- Case study research in other main clothing clusters such as Leicester, Nottingham and London. This would profile UK SMEs in the clothing sector to establish strengths and weaknesses to see if patterns emerge.
- Survey (online or mail) research on the EFQM BEM Results measuring customer satisfaction to evaluate their clothing supplier’s performance.
- Case study research on born global SME clothing suppliers to compare and contrast the findings with these research findings.
- Case study research into SMEs and their networks to establish whether social networks influence the business outcome.
- Research into e-commerce as an internationalisation tool. This would entail setting the cases with transactional websites to measure the impact on the volume of sales.

The empirical findings from this research study demonstrated that SMEs are resilient despite their lack of resources. In spite of what is often reported about
the internationalisation of larger firms, little was known about this topic in relation to SMEs in the clothing context. Their success is attributable to the owner-manager’s quick decision making and to their business ability to react fast to changing market conditions.
References


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http://www.manchester.gov.uk/downloads/download/4220/public_intelligence_population_publications


http://academic.mintel.com.ezproxy.mmu.ac.uk/display/716211/#


https://www.academia.edu/2850882/Augmenting_productivity_in_SMEs


Appendix 1

Calculations and discussions of the Current Ratio, Quick Ratio, Gross Profit Margin and Operating Profit Margin.
<table>
<thead>
<tr>
<th>Company Name</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td><strong>Company C</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td>2,437</td>
<td>2,287</td>
<td>2,546</td>
<td>2,547</td>
<td>2,700</td>
</tr>
<tr>
<td>Stock</td>
<td>236</td>
<td>474</td>
<td>700</td>
<td>718</td>
<td>543</td>
</tr>
<tr>
<td>Quick assets</td>
<td>2,201</td>
<td>1,813</td>
<td>1,846</td>
<td>1,829</td>
<td>2,157</td>
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<tr>
<td>Current liabilities</td>
<td>1,142</td>
<td>996</td>
<td>1,518</td>
<td>2,037</td>
<td>2,221</td>
</tr>
<tr>
<td>Current ratio</td>
<td>2.13</td>
<td>2.30</td>
<td>1.68</td>
<td>1.25</td>
<td>1.22</td>
</tr>
<tr>
<td>Quick ratio</td>
<td>1.93</td>
<td>1.82</td>
<td>1.22</td>
<td>0.90</td>
<td>0.97</td>
</tr>
<tr>
<td>GPM</td>
<td>24.98</td>
<td>27.84</td>
<td>25.67</td>
<td>26.04</td>
<td>-</td>
</tr>
<tr>
<td>OPM</td>
<td>10.58</td>
<td>6.67</td>
<td>3.16</td>
<td>4.52</td>
<td>-</td>
</tr>
<tr>
<td><strong>Company B</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
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<td>12,200</td>
<td>12,674</td>
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<td>Stock</td>
<td>83</td>
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<tr>
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<td>12,525</td>
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<tr>
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<td>Current ratio</td>
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<td>2.72</td>
<td>2.01</td>
<td>2.65</td>
<td>2.40</td>
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<tr>
<td>Quick ratio</td>
<td>2.26</td>
<td>2.68</td>
<td>1.99</td>
<td>2.58</td>
<td>2.31</td>
</tr>
<tr>
<td>GPM</td>
<td>The company qualifies as small and therefore is under no obligation to provide profitability information to the Companies house</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OPM</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Company A</strong></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Current assets</td>
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<td>4,323</td>
<td>4,145</td>
<td>4,194</td>
<td>2,720</td>
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<tr>
<td>Stock</td>
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<tr>
<td>Quick assets</td>
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<td>1,863</td>
<td>1,936</td>
<td>2,243</td>
<td>1,472</td>
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<td>Current liabilities</td>
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<td>3,809</td>
<td>3,793</td>
<td>3,581</td>
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</tr>
<tr>
<td>Current ratio</td>
<td>1.54</td>
<td>2.32</td>
<td>2.14</td>
<td>1.87</td>
<td>1.85</td>
</tr>
<tr>
<td>Quick ratio</td>
<td>0.74</td>
<td>0.49</td>
<td>0.51</td>
<td>0.63</td>
<td>0.82</td>
</tr>
<tr>
<td>GPM</td>
<td>16.47</td>
<td>18.20</td>
<td>16.79</td>
<td>19.83</td>
<td></td>
</tr>
<tr>
<td>OPM</td>
<td>3.15</td>
<td>2.22</td>
<td>-0.30</td>
<td>-2.02</td>
<td></td>
</tr>
<tr>
<td><strong>Blue Max Banner</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td>13,826</td>
<td>12,524</td>
<td>12,561</td>
<td>11,816</td>
<td></td>
</tr>
<tr>
<td>Stock</td>
<td>6,599</td>
<td>9,078</td>
<td>8,128</td>
<td>7,658</td>
<td></td>
</tr>
<tr>
<td>Current assets (minus stock)</td>
<td>7,227</td>
<td>3,446</td>
<td>4,433</td>
<td>4,158</td>
<td>0</td>
</tr>
<tr>
<td>Current liabilities</td>
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<td>11,209</td>
<td>13,078</td>
<td>11,055</td>
<td></td>
</tr>
<tr>
<td>Current ratio</td>
<td>1.48</td>
<td>1.12</td>
<td>0.96</td>
<td>1.07</td>
<td>-</td>
</tr>
<tr>
<td>Quick ratio</td>
<td>0.77</td>
<td>0.31</td>
<td>0.34</td>
<td>0.38</td>
<td>-</td>
</tr>
<tr>
<td>GPM</td>
<td>28.56</td>
<td>27.12</td>
<td>22.09</td>
<td>26.04</td>
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</tr>
<tr>
<td>OPM</td>
<td>13.89</td>
<td>9.89</td>
<td>3.12</td>
<td>4.14</td>
<td></td>
</tr>
<tr>
<td><strong>VMC Accessories Ltd</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
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<td>4,782</td>
<td>4,250</td>
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<td>422</td>
<td>614</td>
<td>269</td>
<td>206</td>
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<tr>
<td>Current assets (minus stock)</td>
<td>4,899</td>
<td>4,360</td>
<td>3,636</td>
<td>2,846</td>
<td>2,038</td>
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<tr>
<td>Current liabilities</td>
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<td>3,398</td>
<td>2,146</td>
<td>985</td>
<td>927</td>
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</tr>
<tr>
<td>Current ratio</td>
<td>1.64</td>
<td>1.41</td>
<td>1.98</td>
<td>3.16</td>
<td>2.42</td>
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<td>1.28</td>
<td>1.69</td>
<td>2.89</td>
<td>2.20</td>
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<tr>
<td>GPM</td>
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<td>30.71</td>
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<tr>
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<td>5.71</td>
<td>8.98</td>
<td>9.18</td>
<td>3.95</td>
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<table>
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<tr>
<th>Whispering Smith Ltd</th>
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<tbody>
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<td>Current assets</td>
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<td>38,143</td>
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<tr>
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<td>14,666</td>
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<td>7,347</td>
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<td>Current assets (minus stock)</td>
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<td>23,728</td>
<td>23,477</td>
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<td>27,960</td>
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<tr>
<td>Current liabilities</td>
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<td>11,510</td>
<td>18,180</td>
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<td>14,861</td>
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<tr>
<td>Current ratio</td>
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<td>2.75</td>
<td>2.10</td>
<td>2.32</td>
<td>2.38</td>
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<tr>
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<td>2.06</td>
<td>1.29</td>
<td>1.75</td>
<td>1.88</td>
</tr>
<tr>
<td>GPM</td>
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<td>18.61</td>
<td>16.52</td>
<td>15.07</td>
<td>17.85</td>
</tr>
<tr>
<td>OPM</td>
<td>5.18</td>
<td>0.67</td>
<td>-0.09</td>
<td>-1.24</td>
<td>0.80</td>
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</tbody>
</table>

| Average CR (A,B,C)  | 1.98  | 2.45  | 1.94  | 1.92| 1.82|
| Average QR (A,B,C)  | 1.64  | 1.66  | 1.24  | 1.37| 1.37|
| Average GPM%        | 23.32 | 23.22 | 21.40 | 23.54| 21.51|
| Average OPM%        | 7.65  | 5.03  | 2.97  | 2.92| 2.38|

The current reporting limits for small and medium sized companies within the UK are contained in the Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015, which came into force on 6 April 2015. These make changes to the limits set out in the Companies Act 2006 and apply to year-ends on or after 1 January 2016, although early adoption is allowed. As before, for these limits to apply the company must meet at least two of the criteria in the current and previous years. Limits are adjusted for groups, being the turnover and balance sheet thresholds plus 20%.

The reporting limits can be summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>Small companies</th>
<th>Medium companies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pre-1.1.16</td>
<td>Post-1.1.16</td>
</tr>
<tr>
<td>Turnover</td>
<td>£6.5m</td>
<td>£10.2m</td>
</tr>
<tr>
<td>Balance sheet total</td>
<td>£3.26m</td>
<td>£5.1m</td>
</tr>
<tr>
<td>Maximum number of employees</td>
<td>50</td>
<td>50</td>
</tr>
</tbody>
</table>

The importance of these limits is that they dictate the format in which the accounts may be filed at Companies House. If a company qualifies as ‘small’ it need not file a copy of its Directors’ Report and Profit and Loss Account at Companies House. Information allowing calculations on profitability is therefore not available.
For medium-sized companies a Directors’ Report and Profit and Loss Account would be required, but other disclosures are reduced compared to the full disclosure required for large enterprises.

Company A and C qualified as medium sized enterprises or groups for each year considered. In the case of company A, individual company accounts have not been filed with the Companies House, only the consolidated accounts being available. This means that the base figures available to calculate the profitability relate to the group and not the individual company meaning that only limited conclusions about the level of profitability can be drawn from the calculations performed.

Company C appears to be operating at a slightly higher level of profitability, both at the gross and operating profit levels, than the average, but is still operating at the kind of level expected for a value company. The higher level of profitability probably reflects the fact that it deals mainly with the supply of branded goods, allowing it to generate slightly higher margins than on non-branded goods.

Company A, in contrast, is operating with lower than average margins. This most likely reflects the fact that it mainly supplies in-house brands to retailers, which by their nature command lower prices and generate lower margins. The results also show that the company made operating losses in 2011 and 2012, but that it returned to profitability in 2013, with operating margins steadily increasing across the four years under consideration.

Gross profit margins should remain relatively constant year on year. Both case studies (A and C), and all three comparator companies, have shown fluctuating levels of gross profit across the years under consideration. This appears to reflect the difficult trading conditions that the clothing sector has faced, with rising costs being unable to be matched by corresponding increases in selling price in every year.

No general conclusions can be drawn about whether margins for the industry sector are improving overall, due to the variations in level of performance seen across all of the companies. What can be clearly seen, however, is that all of the companies are performing at the level generally expected of a value company with low levels of both gross and operating profit. This makes them all reliant on having to sell large volumes of product to generate sufficient cash within the business to cover day-to-day operations and to drive the long-term strategy. With lower levels of operating profit within the business, cash flow is likely to be more limited and this supports the findings of the research.
Appendix 2

Explanations of the Basic Financial Ratios Used in the Clothing Sector
Hi Nathalie,

Further to our discussions, please find attached some guidelines regarding liquidity and performance measures.

For the liquidity ratios, there are various ‘norms’ that you will find published, including some for the retail fashion industry in the main, but accountants and directors tend to use the general industry norms for other sectors of the clothing industry. As you are aware, I am a Fellow of the Institute of Chartered Accountants in England & Wales (FCA) and I have checked with a number of fellow members who still work with the clothing sector. They have confirmed that these are the tolerances and expectations that they still use and that they would apply the general industry norms to your type of industry, as these would be considered more appropriate.

I hope that this information is what you need, but if I can be of further assistance please let me know.
Further to our conversation this summer, and to clarify in writing, some of the key financial ratios used by businesses to assess their ability to support their short and long-term strategies:

**LIQUIDITY MEASURES**
Indicative of a business’ cash position: the higher the liquidity, the stronger the cash flow appears to be, giving greater confidence in its ability to use its liquid resources to support its short and long-term strategies

**Current Ratio**
- A liquidity measure showing how much asset cover the business has for every £1 of liability that it holds
- Calculated as Total Current Assets divided by Total Current Liabilities
- Shows overall liquidity position but is limited in that it does not take into account the current asset mix. For example, if the business’ current assets are mainly stock, then it might not actually have sufficient ‘cash’ available to pay creditors as they fall due.

**Quick Ratio** (also known as the ‘Acid Test’)
- Calculated as Quick Assets divided by Total Current Liabilities
- Excludes stock from the calculation, meaning that it only looks at the availability of ‘cash’ or ‘near cash’ assets to cover liabilities
- The reasons for this are that:
  - ‘cash and bank’ assets are actual cash that can be used immediately to cover liabilities
  - ‘debtors’ are effectively cash, as assets have been sold and therefore converted into cash, just not yet collected in, but could be fairly quickly if required
  - stock, however, is not ‘cash’ until it is sold, and the business does not know whether it is going to be able to sell it or, if it can, how much it is going to be sold for
- The result is a much more stringent measure of liquidity, giving a much clearer indication of the ability of a business to cover its short-term liabilities as they fall due

**Comparison**
- If there is little difference between the Current and Quick Ratios, it suggests that the business is holding very little stock (as little has been deducted).
- If there is a big difference between the two ratios, it suggests that the business is holding too much stock (as there was a large amount to be deducted). In this case, the business probably needs to buy more stock to ensure that it still has products to sell and can keep on trading.
- If the Current Ratio is too low, the business should go on a sales drive, converting as much stock as possible into ‘cash’, then using the proceeds to buy more stock and selling that, too.
- If the Quick Ratio is too low, the business needs to go on a sales drive, but then use the proceeds to pay off creditors rather than investing in any more stock (as it probably had too much in the first place)
Industry tolerances
There are numerous tolerances published for the Current and Quick Ratios, but the ones that accountants and most finance directors use are 1.5-2.5:1 for the Current Ratio and 1:1 for the Quick Ratio, for industry in general, and 1.3-2.5:1 for the Current Ratio and 0.9:1 for the Quick Ratio, for the retail fashion industry.

PERFORMANCE MEASURES

Gross Profit Margin (GPM)
- Only takes into consideration the buying and selling price of the products
- Calculated as (Gross Profit divided by Turnover) multiplied by 100, where the Gross Profit is calculated as ‘Turnover minus the Cost of Goods Sold’

Operating Profit Margin (OPM)
- OPM measures the level of profit after deduction of the operating or running costs of the business for the period, to assess the level of profit generated at this stage from the sales
- Calculated as ((Operating Profit divided by Turnover) multiplied by 100), where the Operating Profit is calculated as ‘Gross Profit minus the operating costs for the period

Comparison
- Both margins look at how effective the business is at generating profits from sales, at different stages of accounting
- The business needs to generate enough Gross Profit to cover all its operating costs
- The higher the level of Operating Profits, the more likely the business is to be generating sufficient profits to help support its long-term strategy

Industry expectations
Industry norms for Operating Profit Margins are published periodically by the Verdict Retail Knowledge Centre. The most recent industry averages were published in 2012, in the report UK Women’s wear 2012, which stated the averages based on the trading year 2010-11. These are treated as the ‘post-recession’ averages and are currently used for benchmarking purposes. The link to this report is currently unavailable.

Industry averages for Gross Profit Margins are not usually published by Verdict, but they can be calculated using information available from databases such as FAME and OSIRIS. Figures obtained in this way support the averages currently used for the UK retail fashion industry of 20%-25% for value retailers, 50%-60% for mid-market retailers and 70%-75% for luxury retailers.

Note: three additional SME clothing suppliers located in the North West of England have been examined to allow industry averages to be calculated.
Appendix 3

Ethics Form
HOLLINGS FACULTY - RESEARCH ETHICS

Any research undertaken by the person stated below will be conducted, recorded and presented in accordance with the guidelines set out by the University Academic Ethics Committee. These guidelines are known as the MMU Academic Ethical Framework and may be accessed at: http://www.red.mmu.ac.uk/?pageparent=4&page_id=110

They are compatible with those published by the ESRC and other responsible bodies.

Statement:
Before any research is undertaken, I would like to assure collaborators and participants of the following points:

• Participation in an interview is entirely voluntary.

• Participants are free to refuse to answer a question at any time.

• Participants are free to withdraw from an interview at any time.

• Excerpts from this interview may be incorporated into a project report, dissertation, and used for research purposes, but under no circumstances will names or personal characteristics be included without prior consent.

Signed: ___________________________ Print Name: ___________________________

Interviewee acceptance:

Signed: ___________________________ Print Name: ___________________________
Appendix 4

Anonymised Interview Transcripts
Leadership (1)

1. **Is your company part of a larger group?** It started as a sister company of the group about 10 years ago but is now a standalone limited company.

   **Can you give us a little background on the group?** The group had been going for about 22 years and was formed by Stuart. It operated mainly in the childrenswear area and after about five or six years branched out to branded goods. The company had major success and grew in that period massively. Every year doubled and reached a height of about £38 million turnover employing over 100 people and then it kind of lost a bit of direction, lost focus, took their eyes of the ball and failed to deliver gross profit to the business and struggled as a result. Then they got into the Lonsdale brand which again transformed the business and decent sales and huge margin: then they lost focus again. Stuart was more involved with his brand portfolio, properties and his retail and that’s when Company A was formed to specialised on the non-branded childrenswear which was about 10 years ago. How is Stuart doing these days? He is still involved in branding and apparel but his real interest now is real estate. He leaves in New York and doing very well: running marathons actually!

2. **What is the company structure and hierarchy?** Currently there are three directors who each own a share of the business. We employ 25 people in total. There are six departments design, sales, sourcing, merchandising, shipping & distribution and quality control. Two of the staff in the design department work freelance and the other eight are based in-house. The design studio is at the heart of our business: that’s where the magic happens. Design is very important to us because our customers have identified as our strength and that’s what sets us apart from our competitors. The two things that our customers don’t have in abundance are design and funding: we are like a bank (we give good credit terms) with the design facility. **Where do designers get their inspiration from for you to be so strong in that area?** Everything is on the internet now
very little reason to travel; they’ve got WGSN and all the predictive websites. Trends for kidswear doesn’t move on so much it’s just timing. Designers do comp shops but they rarely go abroad anymore; they are welcome to but no time or no real need. Everything is so accessible now and it saves money. In terms of hierarchy sales is headed by sales director who does the vast majority, and mainly looks after Next, Heatons, parts of QS, TK Maxx and Benny looks after Dubai one customer (Landmark – it is kind of a full time job) and I focus on Europe and worldwide opportunities as well as sourcing.

3. Do you have investors that are not involved in the day-to-day running of the business? No, there are three directors each with shares in the business.

People (2)

1. What is your staff turnover? It is very low. In fact you know a lot of the people here despite having left over 10 years ago.

2. Do members of staff receive regular appraisals? Not as regularly as I would like but head of each department tend to talk to their staff about their progress. I get involved whenever required to.

3. Are members of staff given targets? Sales staff yes for sure.

4. Are members of staff rewarded for achieving targets? Sales people will get a bonus if they meet their target. Other staff who have worked hard get rewarded in other ways for example we treated our senior merchandiser to a one week trip to the Caribbean with her partner to thank her for her hard work.

5. Are salaries reviewed on an annual basis? Whenever we can we review however with the tough economic climate we are lucky to hold on to our jobs.

6. Do you carry out team building activities? Not really. The girls have night outs and we organise a Christmas party but no team building activities!

7. Do the members of staff receive training? We get more senior staff to train junior staff. Of course if there is a new software that we wish to implement then we will make sure staff get the training in house.
8. **Are the members of staff given the opportunity to express ideas and opinions?** Off course: my door is always open.

**Strategy (3)**

1. **How is the company strategy decided?** By the directors and our mentors. Stuart (Paul’s cousin and founder of the group) and our sales directors’ father (who was a shareholder in the group) are great advisors.

2. **Who makes strategic decisions?** The directors.

3. **Does the company prepare its strategy in view of recent or past events?** The directors have regular meetings to discuss sales, new opportunities and problems. Strategy is implemented and revised during these meetings. Part of our strategy is to give attractive credit facility and advantageous payment terms to our customers thus reducing their cash flow problems. **Does that involve the likes of Tesco?** Tesco would not buy from us we don’t supply the supermarkets we supply everyone from below that level i.e. the value end. We supply someone like TK Maxx (but they are financially strong so don’t need our help) and others who do need us for funding and design such as QS (now Store Twenty One) and Ethel Austin. Customers in the UK would also be Next Special purchase (about 75 stores / outlets), Dunnes, Heatons, bits with BHS, Factory Shop and a number of online retailers and distributors.

4. **How are policies, plans, objectives and processes developed in order to deliver the strategy?** We keep a close relationship with our customers and our ears to the ground which enables us to decide on future plans.

5. **How is strategy communicated to the rest of the staff?** On an ad-hoc basis verbally mostly.

**Partnership and Resources (4)**

1. **Do you sell your products outside the UK?** Yes.

2. **If so do you sell to Europe or any other destination?** As well as the UK we do a little in Europe and as previously discussed in the Middle East and the US.
3. **Do you employ your own UK sales force to sell to these markets?** No the sales director and I find the opportunities as we find that recruiting staff for that specific purpose doesn’t work for us.

4. **If so, are there any specific qualities that you deem essential to fulfil the position?** Flexibility and willingness to do business in unknown markets and the gift of the gab (that’s number one). You have to have a good understanding of the whole process from design to delivery that’s imperative otherwise it doesn’t last with the customer. You have to have somebody who is quite honest, someone you can trust and doesn’t make things up. So many people can damage your business. We all have different strengths in the business: mine is that I really understand the product, for the sales director customers feel that he is trustworthy, Benny is funny, likeable and a real character... different customers require different approaches it is quite a personal thing selling.

5. **Outside your UK customers, do you have a dedicated team following the European or other markets’ orders?** No, we have tried to adjust the infrastructure quite a few times but it is impossible because the workload is sporadic, it is impossible so we’ve gone back to the old system whereas everyone pulls together with the orders. There is no division for dealing with specific areas and It works better because I find that the workload is more even though I like the idea of a team dedicated to a specific customer. We are growing massively in the Middle East at the moment so I am thinking about pulling a few people to form a separate department.

6. **What training do you offer to your staff to ensure that they understand the requirements of dealing with third parties in a foreign country?** None! It is all learned on the job.

7. **Who are your main customers both in the UK and in Europe?** We have discussed the UK before and Europe is broad and forever changing. In France we deal with a distributor called Vetura: they bought Tati and Agora and have done a million Euros a season at its height. Germany very little now: we’ve had discussions with Takko and Kiddy but nothing really happened of any significance.
You will remember we used to work with Han who covers Germany and Holland but does not do much for us now. It is difficult for agents now because unless they have very, very strong connections and he is more menswear. Germany is a more difficult market for us just culturally as they are not as receptive to working with a UK trading company and are quite bureaucratic. Anyone with a small population we try to avoid like Israel, Denmark and places like this... it’s not interesting unless someone comes with opportunities.

8. **How long have you been trading in Europe?** For as long as the company has been running.

9. **Do you attend or have a stand at trade fairs?** Yes.

10. **Can you specify which fair?** We are actually exhibiting in Canton Fair in China which is the largest supplier exhibitor in the world. Canton is usually for Chinese trading companies and factories but we find that it is a good place for us to be for both side of our business (stock and contract).

11. **What are the key benefits of trade fairs to your business?** People travelling to China from overseas tend to have significant business. We find that if we go to the NEC we meet people with one shop or half a shop, internet sites, not what we cater for. So now we are a trading company based out of China, out of India, out of Pakistan, out of Bangladesh offering service out of the UK with design and funding. We basically operate as a trading company so it has been very good... we picked up Landmark from Canton fair a couple of years ago. Last year we picked up a large Canadian customer and this season we picked up 2.5 to 3 million dollars of trade of stock business from this season’s Canton fair. (Paul hands me a business card with his name relating to a company called Full Base Group Limited with office address in Fujian China – see additional information section for longer explanation. **So how does this work with the Canton Fair?** Initially we started with our Chinese merchandiser Jun and a girl from our China office. We did that for the first two fairs thinking that the perception if you have a foreigner on the stand they’d be negative that maybe it is too
expensive or... we wanted to give the illusion that we were a local trading company and that we weren’t expensive because if I see a European on the stand I tend to think it will be expensive. We had Chinese staff for two seasons and then our sales Director manned the stand and funnily enough did better probably because he can actually find out if the enquiry is genuine, close the deal, get people excited and he knows the product. Was that the sales director alone? No with Jun and I think we are doing it again in November and I will do it with him. The two of us this time... trial and error. Any plans to exhibit other than Canton? We are carrying too much stock so considering the Off-Price show.

12. Do you retail in all the following countries: France, Germany, Italy and the Benelux? Not so much in European countries but more in emerging markets. That would be Russia, the Middle East, I’d like to try to get into South America, I think the States for a British company is slightly untapped... definitely more in Canada, we are starting in Australia and have met people there but the seasons are back to front there so it is slightly more difficult. We look for opportunities everywhere: North Africa, Africa there’s a big market for stock.

13. Do you use intermediaries such as agents and distributors? (if the respondent answers no to this question go to question 38) Distributors or agent would normally go through Amy or the sales director who sell stock. So there is two arms here: one that we call our stock business so we design a big collection and we sell that in small volume to many customers over many styles and the other arm is the contract business where we sell directly to the retailers from Far East port on contract.

14. If so can you tell us about the recruitment process? It is not a formal process: we meet people and sometime mutually decide to try something out...

15. What are the main queries made by your intermediaries? Our customers have specific requirements regarding specific laws in their country on for example testing but it is not possible for us to
cater to everyone. Our goods are tested according to BS standards and that’s how our customer buy it. If customers want made to order then they can have what they want. Our customer in Dubai has 200 stores in 40 countries so all cartons are marked accordingly by country... a bit of a nightmare: very difficult packing, invoicing, shipping and each carton is assorted differently. This is accommodated with the help of our China office. I didn’t know you have an office in China, can you tell me a bit more about this? We have and it is basically a very small office it is hardly operational any more. We’ve had a few: we’ve had one in Qingdao but that closed about three years ago. That office used to do everything (buy trims, fabrics, etc.) and give the factory the stitching. Every aspect of it used to be broken down by the office and the factory just used to stitch. We tried it to save cost: we used to get back the duty refund from the government which was 17%. The down side to that was because we’d invested so much if anything happened with delays in the factory they had you over a barrel because the fabrics was ours, the trims were ours if you said you want to cancel they knew it was not an option. You lost all your power. It was a very good exercise for me because I can break down the cost of everything now as a result of that training I had there but it wasn’t sustainable. We closed the operation down and then when we set up our company in Hong Kong, China for tax purposes called Full Base Group in Fujian province. It is actually the sales directors’ brother who has a whole operation out there. We take a desk and a member of staff and she does all our direct shipping booking and invoicing. Would you say that it is essential for your business to have a presence out there? It’s not essential to have anything in China anymore. We are not doing anywhere near as much business in China maybe 10% or 15%. We are mostly in Bangladesh now and though you still get the infrastructure problems like the power cuts, delayed shipments, flooding things have improved no end. Bangladesh now is duty free. You used to get duty free on local fabrics but about 18 months ago they changed it so that everything
is GSP even on imported fabric so all the man made stuff the all polyesters they import it all so things you would not conceive making in Bangladesh can now be made there. You now see jackets being produced there which you would have never seen before. I went in December last year and I interviewed quite a lot of people to run an office for us. Then I panicked at the last minute because there was no way of supervising what these people would be doing and it would be the same thing I had in Pakistan through my office there or China; very hard to control from the UK so we decided to set up an agency with Tushan (an agent we used to work with in the 1990’s). His role is to find sources, get prices and a lot of follow up but rather than me trading with him I just pay him a commission on invoice so our goal is to sort of intertwine now which is much better whereas before he would try to take my order and take it to a factory and try to make money in between it never used to work. However it is early days: we trialled a few orders last season, I do quite a lot of business with other factories, he goes and does inspections, he can do AQL so it is getting quite sophisticated.

16. **How often do you have face-to-face meetings with your intermediaries?** As and when but for the big accounts I try to meet every month.

17. **Where do these meetings take place?** I meet Middle Eastern customers in Dubai or the Far East at the Fair. I go to Dubai every month then go on to Bangladesh and Pakistan so it is handy for business.

18. **Any specific reason for this choice?** Often getting a visa is difficult for our customer plus it is on the way to Bangladesh... It makes their life easy at no real extra cost to me.

19. **What are the key points of discussion during these meetings?** At the moment it is stock though business is good with Dubai and Russia I am holding a lot of stock so that put a lot of pressure on the business.
20. **Are your intermediaries selling your products online and if so in which country?** Funnily enough we’ve actually started to sell to America online to a company called Zulily with 11 million customers online. They do three days events, they ask you to block say a few hundreds of every style and they put it online and they hammer it for three days. We’ve tried it and were quite successful for girls 2 to 6 years so it is going to continue.

21. **Do you impose a recommended retail price to ensure parity across the markets?** It just depends which shop it is sold in. It is about the shopping experience: if you go to a cheap shop it will be a cheap price and if you go to medium level shop it will give an illusion of being something higher than what it is. It is similar to when James (a customer we both used to work with) use to sell our products to Galerie Lafayette it was an illusion. Sales wise you can commend different prices depending on how you display and where you display. Price is very hard to control because we have distributors all over the world and different sales people so we fix one general price point that is aimed at lower to middle and if someone wants to take to a different level then that’s their choice.

**Processes, Products & Services (5)**

1. **Do you specialise in a specific area of the market (for example accessories, ladieswear, etc.)?** We specialise in babywear and childrensware sold under our in-house brands. We have also started to develop some new business in the last 12 months: a bit of menswear, ladieswear and socks but the real focus, the real expertise lies on the kids. Menswear is probably the easiest area to source and to sell it is quite big volume, not high fashion. Ladieswear would be a completely new set up. It would be impossible to compete because it’s changing by the minute but on the menswear the market we aimed at is slightly older man, more value product as opposed to high fashion; more classical things that we can actually source and make money on and it’s gone ok!
2. **Do you find that you need to adapt your product in order to sell outside the UK?** Apart from the packing, shipping and invoicing issues, we also have style queries. For example in the Middle East dresses are longer and no dogs in the design, for Dubai we have quite specific requirements no skulls, no animals, no anchors, no five points stars, no crosses there is quite a lot of things; no religious inclinations. On kidswear they are not as modest as adult. France likes quite traditional styling, denims have to be skinny and straight and different styling from UK boys more fitted and for the girls no pink. UK is very pink and glitz but we do quite a wide variety because we have to cater for so many different countries. A lot of Europeans don’t like transitional items in summer they don’t get jacket and fleeces in the summer and slight sizing issues: they prefer slightly bigger sizes on babies.

3. **What are the sampling requirements?** That aspect is still a major issue to our business: if we could get sampling right we would sell a lot more.

4. **How flexible are you with regards to adapting to market demands and change?** We have to be flexible and look for opportunities wherever possible. Change is the name of the game.

5. **Have your turnover and profitability increased over the past 12 months?** We are doing well.

6. **If so can you attribute it to anything in particular?** To the Middle East mainly as it is an open, booming market. They’ve got money and we’ve found a massive customer there and the account is growing massively. It is a value end customer who has different arms to his operations: he has about 15 different type of retail. The company is called the Landmark Group and owns shopping malls, hotels... It is a 5 million a year account and we have been trading a year it has been amazing because they are a financially stable customer and they fund the orders.

7. **Have you had to change your strategy with regards to European exports over the last 12 months?** We have a lot of people approaching us wanting to open stand alone shops with our
in-house babywear brands and we have done so in Poland where we have an office. We met a man who managed the Sport Soccer warehouse for years running it for us. He worked his way up in the warehouse and started selling all their branded clearance. He did not get rewarded and was selling 4 or 5 millions of Nike and Adidas per year so he left and came to work for us. He is Polish and opening contacts for us all around surrounding territories.

8. **If so can you expand on it?** We have a lot of little hubs everywhere. Olga (a Russian customer we supplied in the 1990’s) is now a big hub in Russia. She’s finally come good and taken us to the biggest customer Detskie-me who have 200 department stores they gave us a trial order for $2.5 m. Russia is exploding and the financial risk is much lesser than it used to be but it is still corrupted and very bureaucratic but Olga is used to that. There is hope everywhere; we have a guy in the Middle East, one in Poland, one in Bulgaria, one in Canada and one in Australia. **Can you explain what you mean by guy?** Canada is a retailer with 30 shops and is also a wholesaler so he takes our collection and buys into it exactly as it is (he buys approx 1000-1500 pieces over 300 styles) and we ship it directly from the factory to his warehouse. I guess they all work on that basis. The man in Poland gets commission because he is our agent.

9. **Are you planning to withdraw from some of the countries previously discussed? If so why?** We have been in Italy but for us that has not worked out. It is a difficult market and I guess our representative there did not have the contacts we were hoping for.

10. **Do you use any other distribution methods? And if so can you tell us more?** The internet is the big one.

11. **Do you sell online?** No.

12. **Do you have a website?** Yes but it is not transactional. This is something we need to sort out and have started to set up. We would like to go live in September 2013. We photograph everything so we might as well capitalise on that and try to sell direct though am not
sure how some of our customers would react to that: needs looking into.

13. **How regularly is it updated?** Not that often.

14. **How important is the website to maintain the company’s image?** It is a useful tool to direct customers and for potential ones.

15. **Who updates your website?** We pay an agency.

16. **Are your garments made-to-order and therefore retail under your customers’ own brand name?** We do produce stock for UK customers using their own brand names however we are a non-branded company with in-house brands which are in some countries perceived as higher value than in this country.

17. **Can you give some examples?** We sell all over the world now to probably over 40 countries: more possibly. All over the Middle East, Europe, Canada, Australia, many countries in the Middle East now: Saudi, Syria, everywhere.

18. **To who are the majority of your products sold to in the countries mentioned (supermarkets, retailers, concessionaries, etc.)?** A mixture really.

19. **Can you give a breakdown of the retailers in each country?** That would be very difficult.

20. **Do you sell your own brands to these retailers?** Yes in some cases

21. **Is one more popular?** It has always been Brand M.

22. **Do you possess a licence to distribute a brand (such as Disney) and if so which one(s)?** That was Stuart’s territory brands with X, X etc... I am trying a couple Fifi & Romeo and Skatelab but we have not done anything with it yet it cost us £15 per annum for both brands over a period of two years so that’s hardly anything. We have tried and failed with Sketcher sock licence: we weren’t geared up for it. We had difficulties get approvals. Therefore we have decided to focus on our strength which is our own in-house brands I am thinking about doing the Magic Show in the States.
Questions for semi-structured interviews

13th February 2013 – Lucy
Senior Account Manager at Company B

Leadership (1)

1. **Is your company part of a larger group?** No it is a privately owned business.

2. **What is the company structure and hierarchy?** See organisational chart in company brochure but there are 18 us plus the MD Phil and also one member in Hong Kong who does inspection, helps sometimes with problems during the manufacturing process as well as AQL’s and factory visits.

3. **Do you have investors that are not involved in the day-to-day running of the business?** No.

People (2)

1. **What is your staff turnover?** It is very low – people rarely leave and if they do it is mainly due to circumstances.

2. **Do members of staff receive regular appraisals?** We have a company manual stating yearly appraisals will happen. They are supposed but it is a bit haphazard – as it is a small private company he gets away with it.

3. **Are members of staff given targets?** Loose targets in terms of sales for our accounts.

4. **Are members of staff rewarded for achieving targets?** Yes “bonus” if 1) there is money in the pot, 2) if the account does well: depends on business type and ease of doing business with them, 3) if we bring new business. Some accounts bring large volume and are fairly straightforward to manage whilst others are small volume, bitty and therefore harder work to handle. The MD is aware of that and therefore does not solely reward on sales volume but overall performance. Frazer can be very generous with those who work hard; for instance he got everyone beautiful hampers containing
The White Company treats pampering treats when we had a good turn and he gives us a cash bonus at Christmas.

5. Are salaries reviewed on an annual basis? Yes.

6. Do you carry out team building activities? Not as such but we do have socials outside of work such as a meal out.

7. Do the members of staff receive training? Not really, if we get a new member of staff the training happens on the job.

8. Are the members of staff given the opportunity to express ideas and opinions? Yes in monthly meetings held in the office with mainly account managers. Otherwise staff can go and speak to the MD on an informal basis if they wish to or they can go to merchandise or technology managers directly.

Strategy (3)

1. How is the company strategy decided? By the MD as it is a small private company.

2. Who makes strategic decisions? The MD for main strategy and the account managers regarding the growth and changes of their accounts in consultation with MD. As account manager we are the ears of the business and report change or things we hear on the ground to the MD so that he can revise his strategy accordingly. It is in that respect a two-way process.

3. Does the company prepare its strategy in view of recent or past events? Yes. For example with our own in-house brand we have learned from passed season and decided to concentrate on reducing stock levels before more ranges are added especially in the current climate. Holding stock is a costly exercise as you have paid for good that have not generated income and additionally we are paying for storage. When times are better, newness and capital will be injected into the brand. Effort therefore is primarily concentrated upon reduction of stock levels. With regards to Blacks who has been bought out by JD Sports, we had to keep an eye to that business as JD manufactures direct. Therefore by being aware of current affair
and keeping our ears to the ground we are able to review and revise the company strategy.

4. **How are policies, plans, objectives and processes developed in order to deliver the strategy?** With regular reviews in terms of sales, analysis of market conditions such as labour shortage in China, yarn prices such as cotton etc.

5. **How is strategy communicated to the rest of the staff?** MD will communicate to accounts managers in F2F meetings and sometimes the information is communicated via email. For example, when Disney decided to claw back their operations from the UK to the US in order to reduce overhead and minimise brand dilution, many Disney London staff were made redundant. The London office is now a satellite office for European business and basically all London does now is to communicate the US strategy to Europe; they are not empowered to make decisions as they once were. This change affected our merchandisers who dealt with Disney for design approval and decision making on a regular basis. To communicate the change the MD invited all the merchandisers in a meeting and explained what the consequences of this change meant to the business.

**Partnership and Resources (4)**

1. **Do you sell your products outside the UK?** Yes.

2. **If so do you sell to Europe or any other destination?** Apart for the UK we sell mainly in Europe.

3. **Do you employ your own UK sales force to sell to these markets?** No but the retailers we supply do sell in Europe.

4. **If so, are there any specific qualities that you deem essential to fulfil the position?** n/a.

5. **Outside your UK customers, do you have a dedicated team following the European or other markets’ orders?** No we have a team dedicated to specific retailers some of which happen to sell in Europe.
6. What training do you offer to your staff to ensure that they understand the requirements of dealing with third parties in a foreign country? n/a.

7. Who are your main customers both in the UK and in Europe? The customers we have in the UK are the same one in Europe. That is because they have shops there or because they have transactional websites in European countries. I will tell you about our customers. We have:
   - Ann Summers – online and retail outlets
   - Black Leisure Group – nearly gone as an account due to JD buyout
   - Boden: inc mini Boden, Boden menswear and Johnnie B – Bread and Butter generates large order quantity, online, one retail outlet in London, catalogue and mail drop
   - Cotton Trader – online, mail drop, catalogue, retail outlets
   - Crew Clothing – online, retail outlets, catalogue
   - Debenhams – online, retail outlets
   - Disney – swimwear kids and jersey for Disney direct
   - Evans – retail outlets and online
   - Our in house brand: transactional website
   - John Lewis – retail outlets, catalogue and online
   - The White Company – concessions, retail outlets, online, mail shot and catalogue
   - Toys’R’Us and Babies’R’Us – online and retail outlets
   - Cath Kidson – concessions, retail outlets and online
   - Jojo, Maman Bébé – online and retail outlets

8. How long have you been trading in Europe? I would say between five to eight years.

9. Do you attend or have a stand at trade fairs? Yes for our in-house brand.


11. What are the key benefits of trade fairs to your business? Despite the cost (staff time, travel expenses, having a stand) we go to see our existing independent boutique owner and to meet
potential new ones. We are winding the brand down as small independents are having a really hard time at the moment and are trying to get rid of the stock via our transactional website. We also sell the brand on Zulily (it is like Cocosa and Achica) or who has time limited sales and brings traffic to the brand.

12. Do you retail in all the following countries: France, Germany, Italy and the Benelux? The retailers we supply sell in Germany, France and Sweden.

13. Do you use intermediaries such as agents and distributors? (if the respondent answers no to this question go to question 38) n/a as it is the retailers decision. Some do have concessions and distributors. With regards to our own brand at this time we are concentrating only on the UK as we are close to the market place that is what we need to do and spend some money developing the business.

14. If so can you tell us about the recruitment process? n/a but we could do with and agent or distributor for our in-house brand.

15. What are the main queries made by your intermediaries? Our customers (the retailers) who sell in Europe require for the goods to be packed and shipped specifically for European orders. As quantities are small as you can imagine it is very bitty.

16. How often do you have face-to-face meetings with your intermediaries? We meet our customers as often as they wish to meet with us.

17. Where do these meetings take place? Normally we travel to the customer in the UK.

18. Any specific reason for this choice? To make life easy for the buyers.

19. What are the key points of discussion during these meetings? It can be a sales meeting, a meeting to discuss a problem and that may involve and QC member of our staff. It depends really we are flexible.
20. Are your intermediaries selling your products online and if so in which country? Yes, as I said before it is difficult to breakdown because of orders online.

21. Do you impose a recommended retail price to ensure parity across the markets? n/a.

Processes, Products & Services (5)
1. Do you specialise in a specific area of the market (for example accessories, ladieswear, etc.)? Yes, 80% of the business is childrenswear.

2. Do you find that you need to adapt your product in order to sell outside the UK? With international order everything needs to be 100% correct and this is difficult because these orders have different packing requirements for each country, the type of card used has to be a specific weight so that it is strong enough, different carton marking required in different countries and same with labelling. To remain competitive we are having to source factories further afield such as Northern China: we have to spoon feed information to these factories therefore merchandisers have to spend a lot of time explaining things in a lot of detail to minimise problems.

3. What are the sampling requirements? In terms of sampling things have not changed much; customers still require samples to sell products particularly those with transactional websites as photos are essential to sell products. Samples need to look like production samples in order to get customers’ interest. For example Boden will require approx 300 samples from us every season (they want all sizes and colours per style). We don’t have a sampling facility therefore it falls onto our factories to produce samples of an excellent standard: to do minimum runs of knit yarn dye fabric or do small print runs is very costly and time consuming.

4. How flexible are you with regards to adapting to market demands and change? Very flexible: the company can be flexible due to its size and so is the staff. You have to adapt to market
demands to remain competitive and keep the business. We have very good relationships with factories who will also advise on any market conditions we should be aware of. The difficulty comes with managing orders: quantities vary from 40 pieces for Europe (but part of a larger order) to 10,000 pieces. Over time it has become more difficult to do business because the paperwork has increased and orders due to international distribution have become more complicated. For example a 1500 pieces order may be broken down as 40 pieces for Germany, 60 pieces for France, 500 pieces for mail order direct and the balance for UK retail outlets. To give you an example for a Crew basic T-shirt they may order 100 pieces for wholesale / international, 210 pieces online direct and 550 pieces retail.

5. **Have your turnover and profitability increased over the past 12 months?** It is a private company and we have managed to hold our own in this tough climate due to shrewd management. However as Blacks has being bought out that account is not doing as much... Sadly Blooming Marvellous has gone bust owing us money. We have done well to still be there.

6. **If so can you attribute it to anything in particular?** n/a.

7. **Have you had to change your strategy with regards to European exports over the last 12 months?** Not really but we have experienced organic growth from our customers due to good websites: for example Boden is doing well in Germany and the US. The US is now huge (it represents about 30-40% of our orders) and is shipped directly to their distribution warehouse however In the UK there is no consistency in terms of orders we get; they have only two retail outlets so it is mainly web. For Germany orders we ship to the UK then they send to Germany. Boden have had to step up their game to succeed because, despite having a unique handprint when they first started, they are facing competition by brands like Joules and Jack Wills. Therefore they have worked hard to improve their transactional website and brand. It is important to note that If anything goes wrong fines are imposed by the retailers: this is
increasingly common practice. We had a recent problem whereby the cartons arrived damaged in a warehouse in UK (Arcadia order), the customer sent us photos to prove it; in return we contacted our factory who showed us photos of the goods in the container. Somehow in the UK the customers’ nominated supplier got the cartons squashed but it is difficult to point the finger at anyone in particular therefore we had to pay a four figure sum. That’s a lot of money and I reckon that’s a way for retailers to make extra profit as it has become the norm...

8. **If so can you expand on it?** Our customers who retail in Europe are indicating that Europe is becoming more and more important. This is facilitated by online sales.

9. **Are you planning to withdraw from some of the countries previously discussed? If so why?** It is not our decision it is the retailer who decides on that one however we hear that business in Europe is doing well.

10. **Do you use any other distribution methods? And if so can you tell us more?** Our in-house brand is sold via our transactional website as well as our sales person. We do have some contact with the European warehouses used by our customers: our office relates shipping information to these places. Buying is centralised but distribution is not.

11. **Do you sell online?** Our retailers do and we do for our in-house brand. People sometimes try to order from overseas but are having problems as we are a .co.uk business; they call us so we have to send things to them that way.

12. **Do you have a website?** Yes it is a transactional website. However the interface has not changed since its conception.

13. **How regularly is it updated?** Most days as it needs to reflect stock levels. The sales person dealing with our in-house brand is in charge of everything regarding the website: photography, stock management, etc. she also sorts out the trade fair and chasing customers for money and that can be time consuming as they are many small independent boutiques.
14. How important is the website to maintain the company’s image? n/a.

15. Who updates your website? See previous response.

16. Are your garments made-to-order and therefore retail under your customers’ own brand name? Yes.

17. Can you give some examples? See the list of our customers discussed before.

18. To who are the majority of your products sold to in the countries mentioned (supermarkets, retailers, concessionaries, etc.)? For example Crew sells online, in shops, wholesale and mail order. Boden is mail drop, online and catalogue. Toys’R’Us have shops but also sell online and for the Middle East they use different transporters.

19. Can you give a breakdown of the retailers in each country? That is a little difficult because some are only online or mail order or retail or all of it.

20. Do you sell your own brands to these retailers? n/a.

21. Do you possess a licence to distribute a brand (such as Disney) and if so which one(s)? We do produce Disney products for Disney London.
Questions for semi-structured interviews
9th February 2013 with Steph

Business Unit Manager and Divisional Director of Company C

Steph has an equivalent in the accessories and party supply side.

Leadership (1)

1. Is your company part of a larger group? As of the past couple of years yes we are part of AHI but are still called Company C.

2. What is the company structure and hierarchy? I am now Sales Director and got Simon’s post. There was nowhere to go for me and Simon was my ceiling. When we got taken over Simon was made Director of new ventures on the European party supply side. He is struggling in his new role (you know what he is like not everyone likes his maverick side – I think he ruffles a few feathers with the board in the US...). The UK office is the hub of the HK office. Design also carried out in China; this has reduced the amount of travelling designers do (from a minimum of five times per annum to a maximum of once per year) and as such overheads have massively reduced. Each designer in the UK has a back up in China. All testing is done in China (nowadays the testing costs are the largest component of the garment cost). To give you a bit of background in 2005 Company C is looking ahead to stay competitive and the bulk of the operations get moved to China (Panyu – Guangzhou province). At the time the UK office had 10 merchandisers and 8 garment technologists now it has 1 senior garment technologist with and assistant and no merchandisers. In UK senior merchandisers get paid over £20k pa whereas in China the equivalent gets paid £7k pa.

3. Do you have investors that are not involved in the day-to-day running of the business? Not investors as such but we are part of a much larger picture now so yes America is involved every day.

People (2)

1. What is your staff turnover? Now very small. Staff is loyal. Last year no one on my team took a day off sick in the office. The company is flexible with working hours so members of staff who have worked with the company for a while, and whom we trust, are able to work from home part
of the time and can drop and collect children from nursery or school. The company goes out of its way to accommodate valued members of staff. However those who take advantage by not pulling their weight are quickly identified by the team and dealt with.

2. **Do members of staff receive regular appraisals?** Every 12 months. As part of my appraisal I was given a life coach to help me achieve a better work-life balance. I was too focused on sales and not enough on empathy. I acquired a dog as a result and am spending more time carrying out leisure activities. The company has big plans for me and want me to be healthy in mind and body or i won’t be any use to them if i get ill.

3. **Are members of staff given targets?** Yes for sales.

4. **Are members of staff rewarded for achieving targets?** Going forward yes but it has been too tough to envisage until now. Amscan works on commission however in Company C we work as a team: we are target driven and as a team strive to meet our targets. It is not about the individuals' achievement.

5. **Are salaries reviewed on an annual basis?** Not at the moment. To keep competitive it has not been possible. Amscan only gives increases in salary if workers do something exceptional outside the remit of their contracts (such as bringing a large new account).

6. **Do you carry out team building activities?** Beside the Christmas party, we go out for meals occasionally but we should do more. We have had a divisional netball competition and won the match but that was a one off! Our side won so Jill in accessories was really put out!

7. **Do the members of staff receive training?** Not as such you learn by being thrown in it don’t you? Then it is a case of sink or swim. That sounds a bit harsh because everyone helps everyone: we are a team first and foremost but staff have to show willing and an ability to do the job.

8. **Are the members of staff given the opportunity to express ideas and opinions?** Yes off course we are opened to new ideas however if a member of staff wishes to discuss something personal they go to HR who will then talk to me.
Strategy (3)

1. **How is the company strategy decided?** US then China then UK. Divisional managers then oversee their own. Before the takeover Company C survived in the tough economic climate by having a long term strategy decided by the Managing Directors that involved moving as much of the operations to China but keep design and sales in the UK. As a result many of the valued UK staff relocated to China whilst others were made redundant. The strategic move paid off and has been the saving grace of the business particularly when Woolworth (their largest account) went into receivership owing Company C large amounts of money nearly taking Company C with them. As well as this the double dip recession meant that the company was struggling for survival and decided to look for some to buy them out. RBS their bank reduced their credit limit as they were perceived as a high risk business.

2. **Who makes strategic decisions?** It used to be the three UK Directors but now that we have been bought out it is HO in America and then it filters down to the directors in the UK.

3. **Does the company prepare its strategy in view of recent or past events?** We tend to look at historical sales figures in various UK and EU accounts and revise our sales accordingly. Strategy is also put together in consultation with customers: we have meetings and gage the volume of business we are likely to get.

4. **How are policies, plans, objectives and processes developed in order to deliver the strategy?** It is mostly done in the US now. However we will report to the US on our findings further to sales meeting with customers. They will measure past performance and try to anticipate future performance so that capacity can be booked via our China office and staff levels reviewed to reflect future trends.

5. **How is strategy communicated to the rest of the staff?** As it is part of a very large group now, the HR office in the US communicate with Directors who then disseminate the information to their respective teams. There are monthly newsletters to keep the staff abreast of new developments in the company. Chirstys’ has had to become more corporate as a result of the buy-out. For example Facebook is banned at work.
**Partnership and Resources (4)**

1. Do you sell your products outside the UK? Yes.
2. If so do you sell to Europe or any other destination? All over Europe and the US.
3. Do you employ your own UK sales force to sell to these markets? No. Amscan has a foothold in every country and deals with this.
4. If so, are there any specific qualities that you deem essential to fulfil the position? n/a.
5. Outside your UK customers, do you have a dedicated team following the European or other markets’ orders? No as Europe orders go straight to the China office.
6. What training do you offer to your staff to ensure that they understand the requirements of dealing with third parties in a foreign country? n/a.
7. Who are your main customers both in the UK and in Europe? In UK multiples such as M&S, George, Sainsbury, Tesco and in Europe Toys are US and Eveil et Jeux.
8. How long have you been trading in Europe? Company C has been trading in Europe since 2002.
9. Do you attend or have a stand at trade fairs? Yes.
10. Can you specify which fair? Nuremberg Toy fair, Spring Fair (NEC), Toy Fair (Olympia) and HK toy fair.
11. What are the key benefits of trade fairs to your business? It is mainly to network and to meet with our independent customers as the multiples are not really interested.
12. Do you retail in all the following countries: France, Germany, Italy and the Benelux? Yes via our distributors.
13. Do you use intermediaries such as agents and distributors? (if the respondent answers no to this question go to question 38) Yes distributors.
14. If so can you tell us about the recruitment process? HR in the US advertises in the trade press. It is not like in the old days Nathalie where we use to meet people in Nuremberg and decide to have a go at working together. It didn’t always work out... (Steph goes on to reminiscing
about distributors we worked with in the past and who no longer worked with the company).

15. What are the main queries made by your intermediaries? Packaging. Europe treats dress up as toys but in the UK it is still a garment. Therefore garments are delivered on hangers whereas toys have to be boxed (and you understand that headache Nathalie!).

16. How often do you have face-to-face meetings with your intermediaries? Once a year global get together. This involves head of divisions:

- European – four people (one office in France, one office in Germany, one in Spain and one for emerging market)
- HK who supplies Europe directly
- US
- UK

In terms of European operations they are controlled from our Germany office. The man who manages the German office also oversees the rest of Europe (but not UK!).

17. Where do these meetings take place? It varies.

18. Any specific reason for this choice? n/a.

19. What are the key points of discussion during these meetings? We get together to discuss progress: successes and failures in each market. We will then review the existing sales figures and try to anticipate account sizes from past sales figure and recent meetings held with our customers. We also discuss new possible avenues / opportunities for the business.

20. Are your intermediaries selling your products online and if so in which country? Yes via the Amscan website.

21. Do you impose a recommended retail price to ensure parity across the markets? Party side yes but dress-up no.

Processes, Products & Services (5)

1. Do you specialise in a specific area of the market (for example accessories, ladieswear, etc.)? Yes dress up for children but not that’s really taking off with adult as well and party accessories. Our other division also does accessories such as hats, scarves and gloves.
2. Do you find that you need to adapt your product in order to sell outside the UK? Amscan does adapt, for example in part of Europe we have had to add sleeves to the Disney princesses outfits.

3. What are the sampling requirements? Panyu office in China deals with samples and is four times bigger than it was three years ago... it takes two to three weeks to get hold of samples which is faster than most retailers can achieve. We have a very unusual set up in that we are in control of our samples thus are able to respond to customer demand rapidly. That is one of our key strengths and helped us during our dark times. Amscan was really impressed by the set up prior to acquiring us.

4. How flexible are you with regards to adapting to market demands and change? We are market savvy. We will meet buyers anywhere as we have duplicate offices both in UK and China and operate in Europe. We look to the factories for innovation with prints etc.

5. Have your turnover and profitability increased over the past 12 months? Yes.

6. If so can you attribute it to anything in particular? Been bought out has totally changed things. We have gone from being relatively small to belonging to a massive business.

7. Have you had to change your strategy with regards to European exports over the last 12 months? Yes.

8. If so can you expand on it? As we have been taken over yes we are now part of a much bigger operation. Before we struggled with some of our individual distributors’ demands and Disney who was in the middle. They had to keep everyone happy.

9. Are you planning to withdraw from some of the countries previously discussed? If so why? No.

10. Do you use any other distribution methods? Yes. And if so can you tell us more? More business online on the Amscan website.

11. Do you sell online? Yes Amscan does. Have a look at the website; dress-up is huge now!

12. Do you have a website? Yes but the standalone Company C website is disabled and is now part of Amscan.

13. How regularly is it updated? All the time.
14. **How important is the website to maintain the company's image?** It used to be very important and as you know we used to spend considerable amounts shooting the Disney princesses to promote on our website and brochures. Now it part of the bigger picture so it cannot be compared. Have a look for yourself on Amscan website.

15. **Who updates your website?** The US marketing division does this and they are constantly updating it as it is a transactional website.

16. **Are your garments made-to-order and therefore retail under your customers’ own brand name?** Yes.

17. **Can you give some examples?** For the multiple retailers such as Tesco we do manufacture MTO ranges for Halloween but as they also have the Disney dress-up licence we have to bid against other suppliers for the business. Tesco then selects who will ultimately get the business.

18. **To who are the majority of your products sold to in the countries mentioned (supermarkets, retailers, concessionaries, etc.)?** In the UK mainly multiples (Tesco, George, Sainsbury) and toy suppliers such as Toys ‘R’ Us. In Europe we sell to small independent boutiques as well as Toys ‘R’ Us and el Corte Ingles in Spain.

19. **Can you give a breakdown of the retailers in each country?** Not really because each distributor handles this separately. Historically our French distributor used to sell to the French Multiples such as Auchan and Carrefour, Spain was small independents and El Corte Ingles, Italy was mainly small multiples.

20. **Do you sell your own brands to these retailers?** Yes AHI range sold in UK and Europe and has licence for Barbie, Disney partywear but not dress-up, etc. In multiples, it is under their own brand name. Company C used to have the Disney licence but it is no longer the case as Amscan has licences.

21. **Do you possess a licence to distribute a brand (such as Disney) and if so which one(s)?** AHI has Disney and Marvel characters and Barbie but Company C no longer prospers due to licences however, we do have Dora the Explora and some Barbie in some country.
Appendix 5

Anonymised Extract of the Directors’ Report for year-end 2012 and 2013
Directors' Report for the Year Ended 31 December 2012

continued

Principal risks and uncertainties

Competitive trading risk

The company operates in a highly competitive market place particularly with regard to pricing, promotional activity and rapidly changing customer preferences. The company manages these risks by supplying stock on an FOB basis to its customers which avoids the requirement for holding stock and therefore stock obsolescence due to changing customer preferences. It also maintains strong relationships with its suppliers which assists in managing price fluctuations. The company is not dependent on any single customer for significant portions of its turnover.

Credit risk

The company trades only with recognised, credit worthy third parties. All customers who wish to trade on credit terms are subject to credit verification procedures. Receivables balances are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

Foreign exchange risk

The company purchases mostly in US Dollar and supplies mostly in US Dollar FOB and so has limited exchange risk.

Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting its obligations associated with financial liabilities. The company aims to mitigate liquidity risk by managing cash generation by its operations and monitoring projected future cash flows. Short term liquidity needs are met through debtor financing with Royal Bank of Scotland. This was introduced in quarter 3 of 2011 and is set to continue for the foreseeable future. There remains the ability to request inter-group funding when necessary and as a result the company’s exposure to liquidity risk is considered to be low.

Going concern

The directors have considered the appropriateness of preparing the financial statements on a going concern basis. After making such enquiries as the directors consider necessary, the directors have concluded that there is a reasonable expectation that the company has adequate resources to continue for the foreseeable future. Therefore, the directors have adopted a going concern basis in the preparation of the financial statements for the year.

Directors of the company

The directors who held office during the year were as follows:

Page 3
Strategic Report for the Year Ended 31 December 2013

The directors present their strategic report for the year ended 31 December 2013.

Business review

Review of the business

The year ended 31st December 2013 saw the completion of the third, and success full year of trading under the ownership of following the acquisition in September 2010.

The company continues to grow like for like sales with existing customers and develop new overseas markets, leveraging its sourcing capabilities in the Far East through focused market groups in the UK and Hong Kong.

Back office support such as credit and debtor control is provided by Asia. Costs for these services are recharged based on revenues.

We aim to present a balanced and comprehensive review of the development and performance of our business during the year and its position at year end. Our review is consistent with the size and non-complex nature of our business and is written in the context of the risks and uncertainties we face.

We consider that our key financial performance indicators are those that communicate the financial performance and strength of the company as a whole.

The company’s key financial and other performance indicators during the year were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Unit</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>£000</td>
<td>19,235</td>
<td>13,784</td>
</tr>
<tr>
<td>Gross profit margin</td>
<td>%</td>
<td>28</td>
<td>26</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>£000</td>
<td>1,266</td>
<td>390</td>
</tr>
</tbody>
</table>

Sales growth in 2013 represents developing relationships and opportunities across both new and existing customers. With the continuing difficult market conditions due to the weakened economy, retailers continue to press for lower priced commodities. However, gross margin continues to be managed carefully but successfully.

Future developments

The directors do not anticipate any significant changes in the principal activities of the company in the foreseeable future.

Principal risks and uncertainties

Competitive trading risk

The company operates in a highly competitive market place particularly with regard to pricing, promotional activity and rapidly changing customer preferences.

The company manages these risks by supplying stock on an FOB basis to its customers which avoids the requirement for holding stock and therefore stock obsolescence due to changing customer preferences.

It also maintains strong relationships with its suppliers which assists in managing price fluctuations. The company is not dependent on any single customer for significant portions of its turnover.

Credit risk

The company trades only with recognised, credit worthy third parties. All customers who wish to trade on credit terms are subject to credit verification procedures. Receivables balances are monitored on an ongoing basis and provision is made for doubtful debts where necessary.